



Audit Report



OIG-23-008

FINANCIAL MANAGEMENT

**Audit of the Gulf Coast Ecosystem Restoration Council's
Financial Statements for Fiscal Years 2022 and 2021**

November 15, 2022

Office of Inspector General
Department of the Treasury

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Contents

Transmittal Letter to the Chairperson

Section I – Independent Auditors’ Report

**Section II – Gulf Coast Ecosystem Restoration Council
Agency Financial Report Fiscal Year 2022**

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D. C. 20220

November 15, 2022

The Honorable Michael Regan
Administrator, Environmental Protection Agency
Chairperson, Gulf Coast Ecosystem Restoration Council
1200 Pennsylvania Ave, NW
Washington, DC 20004

Dear Chairperson Regan:

Under a contract monitored by our office, RMA Associates, LLC (RMA), a certified independent public accounting firm, audited the financial statements of the Gulf Coast Ecosystem Restoration Council (Council) as of September 30, 2022 and 2021, and for the years then ended. The contract required that the audit be performed in accordance with government auditing standards and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*.

The audit of the Gulf Coast Ecosystem Restoration Council's financial statements is required by the Chief Financial Officer's Act, as amended by the Accountability of Tax Dollars Act of 2002. This audit was performed as part of our authority under Section 1608 of the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012.

In its audit of the Council, RMA found:

- the financial statements were fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- no deficiencies in internal control over financial reporting that are considered material weaknesses; and
- no instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested.

In connection with the contract, we reviewed RMA's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express an opinion on the Council's financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. RMA is responsible for the attached auditors' report dated November 15, 2022, and the conclusions expressed in the report. However, our review disclosed no instances where RMA did not comply, in all material respects, with U.S. generally accepted government auditing standards and OMB Bulletin No. 22-01.

Page 2

I appreciate the courtesy and cooperation extended to RMA and my staff during the audit. If you wish to discuss this report, please contact me at (202) 528-8997, or a member of your staff may contact Deborah Harker, Assistant Inspector General for Audit, at (202) 486-1420.

Sincerely,

/s/

Richard K. Delmar
Deputy Inspector General, Department of the Treasury

Enclosure

cc: Mary Walker, Executive Director

SECTION I

Independent Auditors' Report

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Independent Auditor's Report

Deputy Inspector General
Department of the Treasury

Administrator, Environmental Protection Agency and
Chairperson, Gulf Coast Ecosystem Restoration Council

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Gulf Coast Ecosystem Restoration Council (Council), which comprise the balance sheets as of September 30, 2022, and 2021, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as “financial statements” or “basic financial statements”), for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as of September 30, 2022, and 2021, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for the Federal Financial Statements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Agency Financial Report. The *Message from the Executive Director* and the *Other Information* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01.

Purpose of the Other Reporting Required by *Government Auditing Standards*

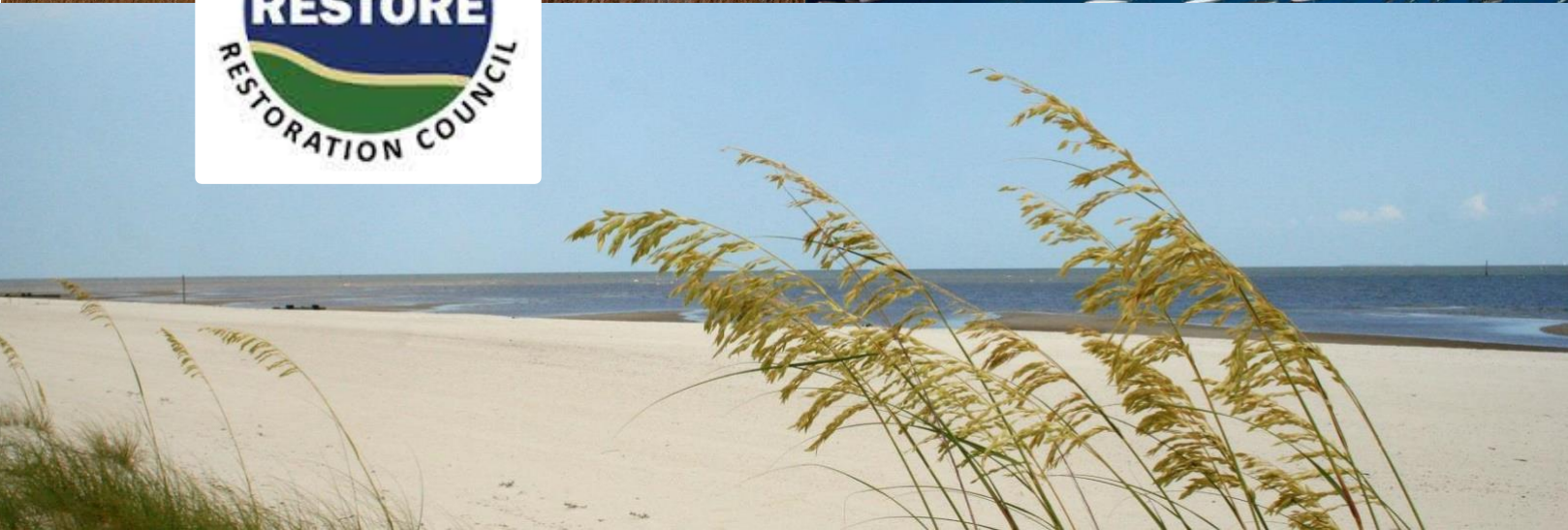
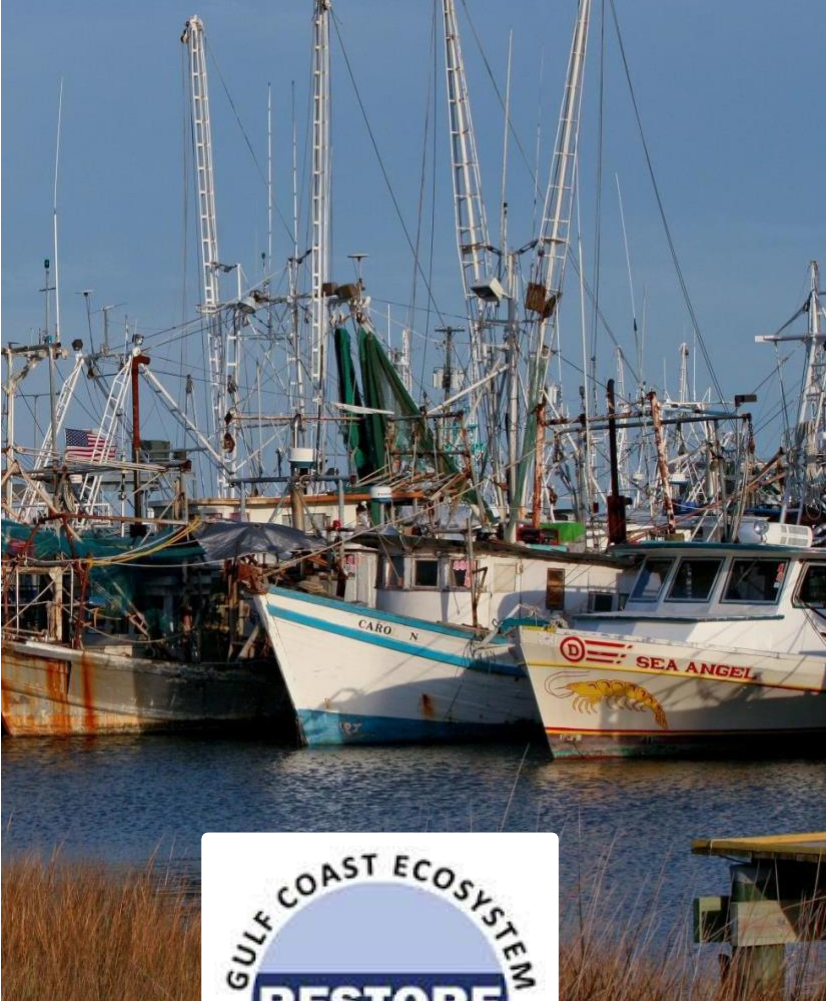
The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or compliance. This section is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RMA Associates

Arlington, VA
November 15, 2022

SECTION II
Gulf Coast Ecosystem Restoration Council
Agency Financial Report
Fiscal Year 2022

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Agency Financial Report Fiscal Year 2022

GULF COAST ECOSYSTEM RESTORATION COUNCIL
AGENCY FINANCIAL REPORT
FISCAL YEAR 2022

GULF COAST ECOSYSTEM RESTORATION COUNCIL

AGENCY FINANCIAL REPORT

FISCAL YEAR 2022

This Agency Financial Report for fiscal year 2022 provides the financial and performance information for the Gulf Coast Ecosystem Restoration Council (RESTORE Council or Council), enabling the President, Congress, and the American people to assess the RESTORE Council's performance as provided by the requirements of the:

- ◆ *Payment Integrity Information Act of 2019 (PIIA)*
- ◆ *Accountability of Tax Dollars Act (ATDA) of 2002;*
- ◆ *Reports Consolidation Act of 2000;*
- ◆ *Government Management Reform Act of 1994;*
- ◆ *Government Performance and Results Act (GPRA) of 1993 as amended by the Government Performance and Results Act Modernization Act (GPRAMA) of 2010;*
- ◆ *Chief Financial Officers (CFO) Act of 1990;*
- ◆ *Federal Managers' Financial Integrity Act (FMFIA) of 1982; and*
- ◆ *Digital Accountability and Transparency Act of 2014 (DATA Act).*
- ◆ *Grant Reporting Efficiency and Agreements Transparency Act of 2019 (GREAT Act)*

This report is available on the internet at <https://www.restorethegulf.gov/reports/performance-and-accountability-reports>. Cover photos courtesy of: National Oceanic and Atmospheric Administration

TABLE OF CONTENTS

<i>MESSAGE FROM THE EXECUTIVE DIRECTOR</i>	6
SECTION I: MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)	8
Mission and Organization Structure	8
Council-Selected Restoration Component	10
RESTORE Act Priority Criteria	11
Council Funding Strategy	11
FPL Categories	13
Eligible Activities and Definitions	14
Council’s Funded Priorities Lists (FPL)	15
Spill Impact Component	17
Performance – Goals, Objectives, and Results	19
RESTORE Council Goals	19
RESTORE Council Objectives	20
Performance Goals and Indicators for Fiscal Year 2022	21
Assessment of the Council’s Progress Toward Program Goals	26
Summary of Performance in Terms of Historical Trends	34
Meeting Council Goals Over Time	34
Summary of Strategies and Resources Used to Achieve Goals	35
Regional Ecosystem-based Approaches to Restoration	35
Coordinating, Collaborating, and Connecting Gulf Restoration Activities	36
Summary of Significant Underlying Factors that Affected the Performance (including factors outside of the Council’s control as well as those the Council could control)	40
Identification of Anticipated and Unanticipated Risks	40
Best Available Science	41
Environmental Compliance	41
Summary of Plans to Improve Performance	42
Summary of Procedures Management Designed and Followed to Provide Reasonable Assurance that Performance Information is Reliable and Relevant	45
Measuring and Ensuring Success	45
Data collection and delivery	47
Risks to the Agency’s Achievement of its Goals and Objectives	48
Analysis of Financial Statements	50
Analysis of Systems, Controls, and Legal Compliance	59
Council’s FMFIA Statement of Assurance	60

Forward Looking Information	61
SECTION II: FINANCIAL SECTION	
Message from the Chief Financial Officer	62
Inspector General’s Transmittal Letter	63
Independent Auditor’s Report	65
Financial Statements	69
Balance Sheet	71
Statement of Net Cost	72
Statement of Changes in Net Position	72
Statement of Budgetary Resources	73
Notes to the Financial Statements	74
SECTION III: OTHER INFORMATION (UNAUDITED)	81
Summary of Financial Statement Audit and Management Assurances	81
Revenue Forgone	82
Management and Performance Challenges	82
Payment Integrity Information Act	90
Biennial Review of User Fees	90
Grants Programs	90



Gulf Coast Ecosystem Restoration Council
New Orleans, LA 70130

MESSAGE FROM THE EXECUTIVE DIRECTOR

**Gulf Coast Ecosystem Restoration Council
November 15, 2022**

I am pleased to submit the Agency Financial Report (AFR) for the Gulf Coast Ecosystem Restoration Council (Council) for fiscal year 2022 (FY 2022). The AFR provides an assessment of the Council's financial management and program performance and outlines the Council's accomplishments in implementing the *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (RESTORE Act). The Council has published a separate FY 2022 Annual Performance Report on the [Council's website](#) concurrent with the release of the FY 2023 President's Budget Request.

The RESTORE Act dedicated 80% of all Clean Water Act (CWA) administrative and civil penalties arising from the *Deepwater Horizon* (DWH) oil spill to the Gulf Coast Restoration Trust Fund (Trust Fund) and established the Council as an independent entity within the Federal government. The Council was formally established in 2012 with the mission of implementing a long-term, comprehensive plan for the ecological and economic recovery of the Gulf Coast region. The Council, consisting of the five Gulf Coast states directly impacted by the DWH oil spill as well as six Federal agencies, is committed to working with Gulf communities and partners to invest in actions, projects, and programs that will ensure the long-term environmental health and economic prosperity of the Gulf Coast region. The Council approves projects and programs for funding under the Council-Selected Restoration Component of the RESTORE Act as set forth in Funded Priorities Lists (FPLs), as well as projects and programs under the Spill Impact Component of the RESTORE Act as set forth in State Expenditure Plans. The Council develops FPLs through collaboration among its members and with feedback from stakeholders across the Gulf; State Expenditure Plans are developed by individual Council state members. In FY 2022, the Council awarded more than \$153M through completion of 64 award actions (23 new awards and 41 amendments) to carry out projects and programs under the RESTORE Act, bringing the total amount awarded to \$663.9M: \$271.1M under the Council-Selected Restoration Component, and \$392.8M under the Spill Impact Component.

In FY 2022, the Council approved the [2022 Comprehensive Plan Update: Restoring the Gulf Coast's Ecosystem and Economy](#) (2022 Comprehensive Plan Update). This 2022 Comprehensive Plan Update supersedes the 2016 Comprehensive Plan Update. This is the second update to the [2013 Initial Comprehensive Plan: Restoring the Gulf Coast's Ecosystem and Economy \(2013 Initial Comprehensive Plan\)](#). This 2022 Comprehensive Plan Update provides the public with updates to the strategic guidance that the Council established to effectively administer its roles and responsibilities. Additionally, it provides summary information regarding progress the Council has made to date on its goals, objectives, and commitments as outlined in the first update, [2016 Comprehensive Plan Update: Restoring the Gulf Coast's Ecosystem & Economy \(2016 Comprehensive Plan Update\)](#), including the effectiveness of its use of general planning funds

provided in the 2017 Commitment and Planning Support (CPS) FPL in meeting those commitments.

As the Council continues to work towards achieving the goals and objectives of the Comprehensive Plan in order to advance its vision of a “healthy and productive Gulf ecosystem achieved through collaboration on strategic restoration projects and programs,” it emphasizes sound management of its funding and resources. This is evidenced by the Financial Statement Audit completed on November 15, 2022, that resulted in an unmodified opinion with no material weaknesses or significant deficiencies and a finding that the financial statements presented the financial position of the Council fairly, in all material respects.

In accordance with guidance from the Office of Management and Budget, I have determined that to the best of my knowledge and belief, the performance and financial data included in this report are complete and reliable, and the internal controls over the effectiveness and efficiency of operations, reliable financial reporting, and compliance with applicable laws and regulations are operating effectively.

The Council looks forward to serving the people of the Gulf Coast through its continuing efforts in carrying out comprehensive ecosystem restoration in order to preserve and enhance the long-term environmental health and economic prosperity of the Gulf Coast region.

/S/ Original Signed
Mary S. Walker
Executive Director

**SECTION I: MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
(UNAUDITED)**

I. Mission and Organization Structure

The Gulf Coast environment was significantly damaged by the 2010 DWH oil spill. In an effort to advance environmental and economic recovery from the spill, Congress enacted the [RESTORE Act](#) (33 U.S.C §1321(t) and *note*) in July 2012, which amended the CWA and created the Council as well as the Trust Fund. Pursuant to the Act, the Trust Fund receives 80 percent of the civil and administrative penalties assessed under the CWA resulting from the 2010 DWH oil spill. The Council is composed of the Governors of Alabama, Florida, Louisiana, Mississippi, and Texas, the Secretaries of the U.S. Departments of Agriculture, the Interior, the Army, Commerce, and Homeland Security, and the Administrator of the U.S. Environmental Protection Agency (Administrator). The Administrator is the current Council Chairperson.

U.S. Environmental Protection Agency (Chair)
Michael Regan
Administrator

State of Alabama Kay Ivey Governor	U.S. Department of Agriculture Tom Vilsack Secretary
State of Florida Ron DeSantis Governor	U.S. Department of the Army Michael L. Conner Assistant Secretary of the Army for Civil Works
State of Louisiana John Bel Edwards Governor	U.S. Department of Commerce Gina Raimondo Secretary
State of Mississippi Tate Reeves Governor	U.S. Department of Homeland Security Alejandro Mayorkas Secretary
State of Texas Greg Abbott Governor	U.S. Department of the Interior Deb Haaland Secretary

On January 3, 2013, the United States announced that Transocean Deepwater Inc. and related entities had agreed to pay \$1 billion (plus interest) in civil penalties for violating the CWA in relation to their conduct in the DWH oil spill. In accordance with the Consent Decree, Transocean has paid all three of its installments of civil penalties plus interest to the U.S. Department of Justice. The U.S. Department of Justice has transferred 80 percent of these funds to the Treasury Department for deposit into the Gulf Coast Restoration Trust Fund, totaling \$816M. On November 20, 2015, the federal court for the Eastern District Court of Louisiana ordered Anadarko Petroleum Corp. to pay a \$159.5M civil fine; of this amount, \$128M, including interest, has been deposited in the Trust Fund. Anadarko was the last defendant in the DWH oil spill Clean Water Act litigation.

On April 4, 2016, a federal court in New Orleans entered a Consent Decree resolving civil claims against BP arising from the DWH oil spill ([United States vs. BPXP et al.](#)). The resolution of civil claim totals for entities held responsible for the DWH oil spill will yield more than \$20 billion, the largest civil penalties ever awarded under any environmental statute, and the largest recovery of damages for injuries to natural resources of the United States. Of these penalties, the RESTORE Act will provide \$5.33 billion (80% of \$6.659 billion) to the Trust Fund, based on the following: \$1 billion (plus interest) in civil penalties from Transocean Deepwater Inc. and related entities for violating the CWA in relation to their conduct in the *Deepwater Horizon* oil spill; \$159.5M from a civil fine paid by Anadarko Petroleum Corporation; and \$5.5 billion (plus interest) from BP Exploration and Production, Inc. (BP) for a CWA civil penalty under the April 4, 2016 Consent Decree, payable over a fifteen-year period at approximately \$91M per year through 2031.

The Council administers the expenditure of 60% of the funds deposited in the Trust Fund (Figure 1). The majority of the Trust Fund's receipts are from BP Exploration & Production Inc. ("BP") over a 15-year period ending in 2031, pursuant to a 2016 settlement among the United States, the five Gulf states and BP. Funding for RESTORE projects is limited to amounts available in the Trust Fund. Under the Council-Selected Restoration Component of the Act 30% of available funding is administered for Gulfwide ecosystem restoration and protection. The Council-Selected Restoration Component funding decisions are guided by criteria set forth in the RESTORE Act, the Council's [Initial Comprehensive Plan: Restoring the Gulf Coast's Ecosystem and Economy](#) (2013 Initial Comprehensive Plan), the [2016 and 2022 Comprehensive Plan Updates: Restoring the Gulf Coast's Ecosystem and Economy](#) (2016 Comprehensive Plan Update; [2022 Comprehensive Plan Update](#)), and other policies, including the Council's [2019 Planning Framework](#). The remaining 30% is allocated to the states under the Spill Impact Component of the Act, according to a formula and regulation approved by the Council in December 2015. Spill Impact Component funds are spent according to individual State Expenditure Plans (SEPs), developed by each state Council member, that contribute to the overall economic and ecological recovery of the Gulf. The SEPs must adhere to criteria set forth in the Act and are subject to approval by the Council chair in accordance with those criteria.



Figure 1: Allocation of the Gulf Coast Restoration Trust Fund based on settlements with BP, Transocean and Anadarko; RESTORE Council oversight components are highlighted in green

The RESTORE Act defines where and how its funds may be spent. The Act defines “Gulf Coast State” to mean any of the states of Alabama, Florida, Louisiana, Mississippi, and Texas, and includes the following areas within the “Gulf Coast region”:

- In the Gulf Coast States, the coastal zones (including federal lands within the coastal zones) that border the Gulf of Mexico;
- Any adjacent land, water, and watersheds within 25 miles of the coastal zones; and
- All federal waters in the Gulf of Mexico.

The U.S. Department of the Treasury regulations covering the RESTORE Act provide that an “activity selected by the Council is carried out in the Gulf Coast Region when, in the reasonable judgment of the Council, each severable part of the activity is primarily designed to restore or protect that geographic area” (31 CFR 34.202(a)).

A. Council-Selected Restoration Component

Under the Council-Selected Restoration Component of the Act the Council administers 30% of the amounts in the Trust Fund. Pursuant to the Act, only Council members (state and federal) are eligible to submit proposals for funding. Council approval of funding requires the affirmative vote of at least three state members and the Chair. The other five federal members do not formally vote on Council funding. The Council uses Funded Priorities Lists (FPLs) that set forth approved projects and programs. The Council develops FPLs through collaboration among its members and with feedback from stakeholders across the Gulf.

Funds for approved FPL projects are disbursed to Council members via grants to state members and interagency agreements (IAAs) with federal members. As part of the grant and IAA process, all activities for which funding is sought are carefully reviewed to ensure consistency with the

approved FPL and compliance with the RESTORE Act and all other applicable requirements, including compliance with all applicable federal environmental laws and the application of best available science criteria (BAS) as required by the Act and further defined by the Council.

1. RESTORE Act Priority Criteria

In selecting projects and programs under the Council-Selected Restoration Component, the RESTORE Act requires that the Council give the highest priority to activities that address one or more of the following criteria:

- **Projects that are projected to make the greatest contribution to restoring and protecting** the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region, without regard to geographic location within the Gulf Coast region.
- **Large-scale projects and programs** that are projected to substantially contribute to restoring and protecting the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast ecosystem.
- **Projects contained in existing Gulf Coast state comprehensive plans** for the restoration and protection of natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region.
- **Projects that restore long-term resiliency** of the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands most impacted by the DWH oil spill.

A foundational element of the 2013 Initial Comprehensive Plan was the inclusion of commitments to provide guidance for the Council's path forward. Through the process of reviewing the Council's work, including the process used to develop the [2015 Initial FPL](#), these commitments were refined and amplified in the 2016 Comprehensive Plan Update. In the 2022 Comprehensive Plan Update, the Council describes its progress toward its commitments thus far, and establishes a baseline that the Council will build upon. Further, the Council builds upon these commitments in this 2022 Comprehensive Plan Update by highlighting the importance of efficient, effective, and transparent environmental compliance. While language regarding environmental compliance was included in the 2016 Comprehensive Plan Update, the Council is now elevating this to a stand-alone commitment.

The Council's six updated commitments are:

- Taking a regional ecosystem-based approach to restoration;
- Leveraging resources and partnerships;
- Maintaining and enhancing public engagement, inclusion, and transparency;
- Providing efficient, effective, and transparent environmental compliance;
- Applying science-based decision-making; and
- Delivering results and measuring impacts.

2. Council Funding Strategy

The [RESTORE Act](#) requires the Council to provide a description of the manner in which amounts projected to be made available to the Council from the Trust Fund will be allocated for the succeeding ten years (the “Ten-Year Funding Strategy”). In light of the ongoing litigation with BP and other responsible parties in 2013, the Council did not include a Ten-Year Funding strategy in the [2013 Initial Comprehensive Plan](#) due to the uncertainty regarding the amounts and timing of funds that might ultimately be available. With the final amounts and timing settled in April 2016, the Council was able to provide an initial Ten-Year Funding Strategy in the [2016 Comprehensive Plan Update](#). Recognizing that this strategy will remain relevant for the duration of its work to implement ecosystem restoration, the Council has updated the name of the strategy to the “Council Funding Strategy” (Funding Strategy).

In developing the Funding Strategy, the Council sought to accomplish the following:

- Ensure compliance with the RESTORE Act;
- Provide finer granularity regarding how the Council will address the goals and objectives over the next ten years and beyond;
- Provide increased certainty, predictability, and guidance for project and program planning;
- Maintain flexibility to adapt to new information such as environmental changes, scientific advances, and feedback on the effectiveness of past and ongoing on-the-ground restoration actions; and
- Build on lessons learned in the development of the Initial and subsequent FPLs.

To accomplish these objectives, the Funding Strategy consists of a vision statement, a discussion of the frequency of future FPLs, and enhancements to the Council’s commitments from previous iterations of the Comprehensive Plan. Specific projects and programs are identified in FPLs. In the 2022 Comprehensive Plan Update, the Council reflects on its progress over the past five years in implementing the Funding Strategy, and provides updates based upon lessons learned over this time period.

In the 2022 Comprehensive Plan Update, the Council reconfirmed its conclusion that a clear and concise vision statement can help direct and shape future funding decisions, which states:

A healthy and productive Gulf ecosystem achieved through collaboration on strategic restoration projects and programs.

The Council continues to believe that its vision statement for the Funding Strategy should include reference to both the desired environmental outcomes and the processes used to accomplish them. In these processes the Council will build upon the tremendous restoration experience, scientific expertise, and other capabilities of its diverse membership of state and federal agencies.

The Council follows a multi-step process to award Council-Selected Restoration Component funds (Figure 2). This process ensures that all applicable laws (e.g., the RESTORE Act, environmental and federal grants management laws, and others) as well as Council policies and procedures are adhered to.

First, the Council includes activities (projects and programs) within an FPL, assigning each activity to one of two categories:

- **Approved** - Activities for which all applicable environmental laws have been addressed and for which the Council has formally approved funding via a vote.
- **Budgeted** - Activities that the Council considers to be worthy of potential future funding. The Council budgets funds for the given activities, pending future review and approval via a Council vote. Prior to approval, activities in this category must comply with all applicable environmental laws.

Generally, when activities are budgeted, the activity sponsor is required to submit additional documentation (e.g., federal permits, detailed scopes of work) before the Council will consider formal approval of the activity. The movement of an activity from budgeted to approved occurs via a Council vote to amend the FPL after the required documentation is submitted, the public has commented on the proposed action, and the Council has complied with all applicable environmental laws. A budgeted activity does not in itself constitute a formal Council commitment.

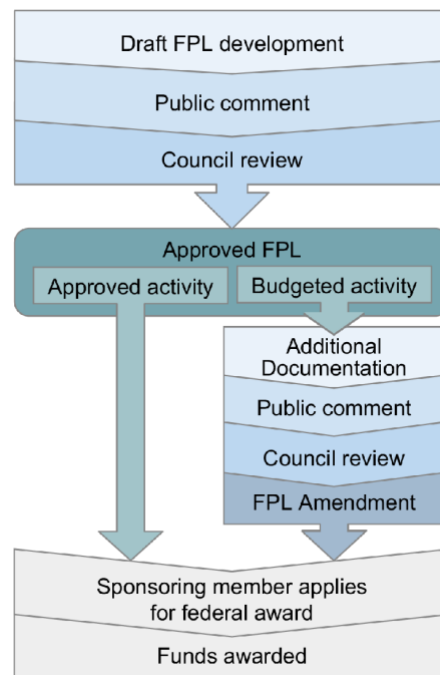


Figure 2. Differences in the process for awarding funds for approved vs budgeted activities in an FPL. The additional steps for budgeted activities include Council review and approval of materials required for an FPL amendment to change a budgeted activity to an approved activity. These materials include all documents necessary for compliance with all applicable environmental laws. In some cases, additional project information (e.g., specific location information, scope of work, final engineering and design plans) may also be required. As part of approving an FPL amendment, the Council provides an opportunity for the public to review and comment on the proposed action.

3. FPL Categories

FPLs include activities in two categories. Category 1 activities are approved for Council-Selected Restoration Component 2 funding. Such approval requires a Council vote as set forth in the RESTORE Act. To be approved in Category 1, a project or program must have documentation demonstrating that all applicable environmental laws have been addressed. For example, a construction project would need documentation demonstrating compliance with the National Environmental Policy Act and other applicable laws.

Category 2 activities are Council priorities for potential future funding but are not approved for funding. These are projects and/or programs that are not yet in a position to be approved by the Council but are considered worthy of potential future funding by the Council. As appropriate, the Council will review the activities in Category 2 to determine whether to: (1) move an activity to Category 1 and approve it for funding, (2) remove it from Category 2 and any further consideration, or (3) continue to include it in Category 2. In these reviews, the Council can consider feasibility; environmental compliance; and scientific, technical, policy and/or other related issues. A Council vote and FPL amendment are required to move an activity from Category 2 to Category 1, or to remove an activity from Category 2 and any further consideration.

4. Eligible Activities and Definitions

The Council considers proposals from members that address planning or implementation phases, or both, of projects or programs. Following are the definitions of these phases from the Council's 2016 Comprehensive Plan Update:

- a. **Planning** – FPL submissions may include: planning and development of ecosystem restoration projects and programs; cost estimates; feasibility analysis; engineering and design; environmental compliance and permitting; scientific elements, including evaluation and establishment of monitoring requirements and methods to report outcomes and impacts; and public engagement.
- b. **Implementation** – FPL submissions may include: construction; public outreach and education; and measurement, evaluation, and reporting of outcomes and impacts of restoration activities.

As set forth in the 2016 and 2022 Comprehensive Plan updates, following are the Council's definitions of "activity," "project," and "program." These definitions are applicable to proposals for Council-Selected Restoration Component funding. FPL proposals should indicate whether the proposed activity is a project or a program. If it is the latter, the activity should be consistent with the following definition of program.

- a. **Activity:** A general term that includes both projects and programs and may also be used to describe components of a project or program. For example, on the Initial FPL, all the funded projects and programs on the list could be referred to as restoration "activities."
- b. **Project:** A single ecosystem restoration and/or conservation activity that cannot be separated into stand-alone sub-activities. A project may be "scalable," meaning that its scope, size, and/or cost can be expanded or reduced as needed and appropriate. A project can be separated into a "planning" or "implementation" phase or can include both. One or more members can conduct a project. For example, a single project might restore marsh in a specific geographic location. Another example of a project might be the planning,

engineering, and design required to advance a marsh restoration proposal to a construction-ready status.

- c. **Program:** A suite of intrinsically linked restoration and/or conservation activities that must be implemented together in order to achieve the desired outcome. A program should generally be covered by one unified Council environmental compliance review and have a common set of performance measures to effectively assess and measure outcomes. A program’s sub-activities may be related in terms of geography, environmental stressors, resources, restoration and/or protection activities, and more. A program can be separated into a “planning” or “implementation” phase or can include both. One or more members can conduct a program. For example, a single program might be a Gulfwide environmental monitoring effort.

5. Council’s Funded Priorities Lists (FPL)

As of the end of FY 2022, the Council has approved almost \$365M for Council-Selected Restoration Component activities, either through approval of, or amendments to, FPLs 1, 2 and 3 (2020a and 2021b). Of the approved funds, \$271M has been awarded to sponsoring members. Table 1 shows the breakdown of these funds for each approved FPL

Table 1. Approved, budgeted, and awarded funds, by FPL, as of the end of FY 2022. *Note: Approved and budgeted funds are distinct categories (see above). The total of the two reflects the amount included in each FPL.*

FPL	Approved (approx.)	Budgeted (approx.)	Awarded
2015 Initial FPL	\$176M	\$9M	\$170.3M
2017 CPS FPL	\$21.1M	N/A	\$20.8M
2020-21 FPL 3	\$167M	\$293M	\$79.9M

The Council has completed three FPLs, including:

a) 2015 Initial Funded Priority List (2015 Initial FPL)

In 2015, the Council approved the [2015 Initial Funded Priority List \(2015 Initial FPL\)](#) for approximately \$156.6M in restoration activities such as hydrologic restoration, land conservation, and planning for large-scale restoration projects. The funding for the 2015 Initial FPL came from the settlement of CWA civil penalties against Transocean Deepwater Inc. and related entities. When it approved the 2015 Initial FPL, the Council did not know the amount and timing of additional funding that could be obtained from the then-ongoing litigation with British Petroleum (BP). The 2015 Initial FPL was organized around ten watersheds/estuaries across the Gulf to concentrate and leverage available funds to address critical ecosystem needs in high priority locations. The Council’s decisions were informed by stakeholder input and the best available science associated with a variety of factors, including widely-recognized ecological stressors, foundational investment needed to respond to those stressors, building on other funded conservation actions, and socioeconomic and cultural considerations. Activities were selected to

provide near-term ecological results while also completing planning and science decision-support tools that may provide for future success.

b) 2017 Commitment and Planning Support FPL (2017 CPS FPL)

A review of the process used to develop the 2015 Initial FPL was conducted that included input from both Council members and the public. Following completion of this review, the Council developed the 2016 Comprehensive Plan Update ([2016 Comprehensive Plan Update](#)) which further emphasized the Council's commitments to collaborate among members, potential funding partners, and the public; increase public engagement and transparency; and refine its best available science (BAS) practices.

c) 2020-21 Funded Priorities List 3

It was through the collaborative process supported by FPL 2 that the Council recognized that developing FPL 3 in two phases would enable the Council to fund projects requiring near-term attention and take advantage of important partnership opportunities to advance large-scale ecosystem restoration, as well as identifying programs that seek watershed-level benefits for Gulf resources, and restoration initiatives that leverage funds with other government programs for greater benefits.

Approved a little more than one year apart, 2020 FPL 3a and 2021 FPL 3b provide funding for priority ecosystem restoration activities throughout the Gulf of Mexico. The activities contained in FPL 3a and 3b reflected lessons learned from the 2015 Initial FPL process and commitments made in the 2016 Comprehensive Plan Update and further emphasized in the 2022 Comprehensive Plan update. This approach to identifying priority restoration activities acknowledges the interconnected nature of coastal and marine ecosystems. It also recognizes the importance of addressing system-wide stressors that reduce ecosystem health. FPLs 3a and b advanced this concept by investing in programmatic approaches to address the ecosystem needs in certain geographic areas.

2020 FPL 3a includes two large-scale ecosystem restoration projects: one in Alabama and the other in Louisiana. 2021 FPL 3b includes an additional 20 activities to address additional ecosystem needs across the Gulf coast region. The Council applied the 2019 Planning Framework, public comment, best available science determinations, and internal administrative procedures to support its funding decisions. 2021 FPL 3b contains many programs intended to address large-scale ecosystem problems that result in water quality impairment, coastal habitat loss and degradation, and coastal resilience challenges through the implementation of specific projects within those programs. For some programs, specific projects were not identified at the time 2021 FPL 3b was finalized. Rather, the FPL describes the priority issues that the programs aim to address in order to meet specified goals and objectives, the Planning Framework approaches that will be utilized, the decision processes that will be or have been followed to identify projects over time, and the metrics that will be used to determine whether the programs are meeting their stated goals and objectives. The Council believes that selecting and implementing projects within these programs will allow for a more systematic approach to addressing ecosystem-level problems within high priority watersheds. The Council also anticipates that by approving funds for these priority programs, additional partners may become interested over time.

During FY 2022, one project from 2020 FPL 3a (Table 2) and seven projects from 2021 FPL 3b were funded.

Table 2: List of 2020 FPL 3a awards made during FY 2022.

Council Member	FPL 3a Projects Approved during FY 2022	Award Amount (\$ M)
Alabama	Perdido River Land Conservation & Habitat Enhancements	\$10.15

Table 3: List of FPL 3b 2021 awards made during FY 2022

Council Member	FPL 3b Projects Approved during FY 2022	Award Amount (\$ M)
Florida	Florida Strategic Gulf Coast Land Acquisition Program (Planning & Implementation)	\$14.0
Florida	Florida Water Quality Improvement Program (Planning)	\$6.75
Florida	Florida Gulf Coast Resiliency Program (Planning)	\$5.6
Florida	Florida Gulf Coast Tributaries Hydrologic Restoration Program (Planning)	\$3.44
Texas	Texas Land Acquisition Program for Coastal Conservation (Planning and Implementation)	\$24.3
DOI	Develop Ecological Flow Decision-Support for Mobile River & Perdido River Basins	\$3.4
DOI	Wind-Tidal Flat Restoration Pilot (Planning & Implementation)	\$0.32
FY 2022 Total		\$57.81

B. Spill Impact Component

Under the Spill Impact Component of the Act the remaining 30% of amounts in the Trust Fund administered by the Council is allocated to the state Council members (except for Florida, where funds are allocated to a consortium of 23 affected Florida counties (“Consortium”). On December 9, 2015, the RESTORE Council voted to approve a [final rule](#) for allocation of the Spill Impact Component funds and disbursed to each state. The rule became effective on April 4, 2015 when

the Federal court in Louisiana approved and entered the Consent Decree. Using the information set forth in the rule, the allocation of funds among the five states is:

- Alabama – 20.40%;
- Florida – 18.36%;
- Louisiana – 34.59%;
- Mississippi – 19.07%; and
- Texas – 7.58%.

Spill Impact Component funds are spent according to individual SEPs developed by each state member (in Florida, by the Consortium) that set forth programs contributing to the overall economic and ecological recovery of the Gulf. In 2016 the Council updated the [Guidelines](#) that describe required SEP elements, the process for submitting SEPs, and the criteria set forth in the Act under which the Council Chair must approve or disapprove SEPs.

Funds for projects in approved SEPs are disbursed to the state Council members (in Florida, to the Consortium) via grants when the requisite funds become available in the Trust Fund. As with Council-Selected Restoration Component, all activities for which Spill Impact component funding is sought are carefully reviewed to ensure consistency with the applicable SEP and compliance with the RESTORE Act and all other applicable requirements, including the use of BAS and compliance with all applicable federal environmental laws.

Over the seven-year period of FY 2016 to FY 2022, a total of \$392.8M has been awarded through the Spill Impact Component. During FY 2022, 15 grants totaling \$79.1M (Table 4) were awarded to Alabama (6 projects; \$30.9M), Florida Consortium (8 projects, \$24.6M), and Texas (1 project; \$23.7M).

Table 4: State Expenditure Plan total funds by state and list of projects approved during FY 2022

Alabama

SEP Projects Approved during FY 2022	Award Amount (\$Ms)
SEP #10: Bayou La Batre Collection System/Lift Station Upgrades	\$13.2
SEP #29 - Planning Grant to Amend State Expenditure Plan 2021	\$0.27
SEP #24: Storm Water Management Improvements for Toulmin Springs Branch and Gum Tree Branch	\$1.22
SEP #26: Little Lagoon Restoration Project	\$6.18
SEP #4: Auburn University Gulf Coast Engineering Research Station	\$9.27

SEP #3: Expansion of the Orange Beach Wildlife Rehabilitation and Education Center	\$0.72
FY 2022 Total	\$30.86

Florida Consortium

SEP Projects Approved during FY 2022	Award Amount (\$ Ms)
13-1: NW Quadrant Sewer Force Main Project – Construction	\$6.0
18-6: Gulf Shellfish Institute: Applied Research for Shellfish Aquaculture	\$0.35
10-2: Hodges Park Rehabilitation	\$1.08
2-1: Santa Rosa Sound Water Quality Improvement Program – Monitoring	\$0.86
8-1: Wakulla Springshed Water Quality Protection Program - Otter Creek WWTF Construction	\$7.72
3-4: Shoal River Headwaters Protection Program-Phase I Construction	\$1.43
15-1: Port Richey Watershed Stormwater Management Project-Construction	\$5.09
18:1-Manatee River Oyster Restoration	\$2.04
FY 2022 Total	\$24.57

Texas

SEP Projects Approved during FY 2022	Award Amount (\$ Ms)
FY22 RESTORE Shoreline & Beach Restoration (BKT 3)	\$23.68

II. Performance – Goals, Objectives, and Results

A. RESTORE Council Goals

Restoring an area as large and complex as the Gulf Coast region is a costly, multi-generational undertaking. Gulf habitats are also continually degraded and lost due to development, infrastructure, sea-level rise, altered riverine processes, ocean acidification, salinity changes and other human-caused factors. Water quality in the coastal and marine environments is degraded by upstream pollution and hydrologic alterations spanning multiple states and involving the watersheds of large and small rivers alike. Stocks of marine and estuarine species are depleted by

over-utilization and conflicting resource use. Some of the region’s environmental problems, such as wetland loss and hypoxia, span areas the size of some U.S. states. This degradation represents a serious risk to the cultural, social, and economic benefits derived from the Gulf ecosystem.

To provide the overarching framework for an integrated and coordinated approach for region-wide Gulf Coast restoration and to help guide the collective actions at the local, state, tribal, and federal levels, the Council has adopted five goals.

- ***Restore and Conserve Habitat*** – Restore and conserve the health, diversity, and resilience of key coastal, estuarine, and marine habitats.
- ***Restore Water Quality and Quantity*** – Restore and protect the water quality and quantity of the Gulf Coast region’s fresh, estuarine, and marine waters.
- ***Replenish and Protect Living Coastal and Marine Resources*** – Restore and protect healthy, diverse, and sustainable living coastal and marine resources.
- ***Enhance Community Resilience*** – Build upon and sustain communities with capacity to adapt to short- and long-term changes.
- ***Restore and Revitalize the Gulf Economy*** – Enhance the sustainability and resiliency of the Gulf economy.

The fifth goal focuses on reviving and supporting a sustainable Gulf economy. This goal pertains to expenditures by the Gulf Coast states authorized in the RESTORE Act under the Direct Component (administered by the Department of the Treasury) and the Spill Impact Component and ensures that these investments can be considered in the context of comprehensive restoration. This goal does not apply to the Council-Selected Restoration Component.

To achieve all five goals, the Council supports ecosystem restoration that can enhance local communities by giving people desirable places to live, work, and play, while creating opportunities for new and existing businesses of all sizes, especially those dependent on natural resources. In addition, the Council will support ecosystem restoration that builds local workforce capacity.

The Council coordinates restoration activities under the Council-Selected Restoration Component and the Spill Impact Component to further the goals. While the Council does not have direct involvement in the activities undertaken by the States or local governments through the Direct Component, the Council will strive, as appropriate, to coordinate its work with those activities. In addition, the Council actively coordinates with the Gulf Coast Ecosystem Restoration Science Program (administered by the National Oceanic and Atmospheric Administration) and the Centers of Excellence Research Grants Program (administered by the Treasury Department).

B. RESTORE Council Objectives

The Council selects and funds projects and programs that restore and protect the natural resources, ecosystems, water quality, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region. Projects and programs that are not aligned with the scope of the following objectives for ecosystem restoration will not be funded under the Council-Selected Restoration Component.

- **Restore, Enhance, and Protect Habitats** – Restore, enhance, and protect the extent, functionality, resiliency, and sustainability of coastal, freshwater, estuarine, wildlife, and marine habitats.
- **Restore, Improve, and Protect Water Resources** – Restore, improve, and protect the Gulf Coast region’s fresh, estuarine, and marine water resources by reducing or treating nutrient and pollutant loading; and improving the management of freshwater flows, discharges to and withdrawals from critical systems.
- **Protect and Restore Living Coastal and Marine Resources** – Restore and protect healthy, diverse, and sustainable living coastal and marine resources including finfish, shellfish, birds, mammals, reptiles, coral, and deep benthic communities.
- **Restore and Enhance Natural Processes and Shorelines** – Restore and enhance ecosystem resilience, sustainability, and natural defenses through the restoration of natural coastal, estuarine, and riverine processes, and/or the restoration of natural shorelines.
- **Promote Community Resilience** – Build and sustain Gulf Coast communities’ capacity to adapt to short- and long-term natural and man-made hazards, particularly increased flood risks associated with sea-level rise and environmental stressors. Promote ecosystem restoration that enhances community resilience through the re-establishment of non-structural, natural buffers against storms and flooding.
- **Promote Natural Resource Stewardship and Environmental Education** – Promote and enhance natural resource stewardship through environmental education efforts that include formal and informal educational opportunities, professional development and training, communication, and actions for all ages.
- **Improve Science-Based Decision-Making Processes** – Improve science-based decision-making processes used by the Council.

C. Performance Goals and Indicators for Fiscal Year 2022

The Annual Performance Plan for FY 2022¹ identified the following performance goals:

Mission Performance Goals

The Mission Performance Goals include the core functions and activities of Federal agencies that are reflected in statutory requirements or leadership priorities and which serve to drive their efforts in addressing pressing and relevant national problems, needs, and challenges (OMB A-11, Section 240).

Performance Goal 1: Promote a Gulf-Wide Comprehensive Approach to Restoration-

Effective and efficient advancement of the Council’s vision for “A healthy and productive Gulf ecosystem achieved through collaboration on strategic restoration projects and programs.”

Performance Indicator 1.1:

¹ The [2022 Annual Performance Plan](#) was prepared during fiscal year 2019 as required under the Government Performance Results Act and used to communicate the agency’s strategic objectives and performance goals.

A comprehensive approach is applied to consideration of restoration efforts through:

- a) *The cooperative examination and analysis of stressors and environmental drivers, as well as outcomes and lessons learned from previously implemented projects (including project monitoring data), scientific and technical developments, changing policy, public input, and other planning considerations by Council members, the NGO community, interested stakeholders and the public.*
- b) *Application of BAS, and adaptive and data management principles maximize the quality, objectivity, and integrity of information used in the selection and execution of RESTORE projects under both the Council-Selected Restoration and State Expenditure Plan components of the RESTORE Act, and clearly documents and communicates risks and uncertainties. In 2022, the Council will employ a variety of activities that promote adaptive management based on an assessment of projects and programs funded to-date, as well an examination of the application of BAS at all stages of project/program development, execution and documentation.*

Performance Indicator 1.2:

The Council determination of future funding priorities is informed by consideration of the entirety of restoration activities funded by the RESTORE Act, DWH NRDA, NFWF GEBF, and other restoration efforts in the Gulf of Mexico region as captured in the Council’s Planning Framework and 2021 Comprehensive Plan Update.

Performance Indicator 1.3:

Coordination and collaboration among members and other restoration efforts of Gulf restoration maximize the Council’s “return on investment” as demonstrated by evaluation of the Commitment and Planning Support awards to achieve the coordination and collaboration commitments of the Comprehensive Plan.

Performance Goal 2: Council-Selected Restoration Program Performance Excellence-

Effective and efficient implementation and administration of the Council-Selected Restoration Program to achieve the goals of the Act.

Performance Indicator 2.1:

The Council’s Planning Framework is updated that highlights ecosystem restoration strategies in preparation for development of Funded Priority List 4.

Performance Indicator 2.2:

Efficiency of the Environmental Compliance processes to support Council actions is advanced through:

- a) *Effective processes for the determination of environmental compliance of Category 2 projects for funding consideration by the Council are developed to support the evaluation of the efficacy of moving Category 2 projects to Category 1.*

- b) *The efficiency and effectiveness of Council environmental compliance is enhanced by the Council participation in the interagency regulatory efficiency team and the sharing of efficiency tools and practices.*

Performance Indicator 2.3:

Programmatic Staff Management of Grant and Interagency Agreements:

- a) *The programmatic component of the Council staff reviews of grant and Interagency Agreement applications for funding under FPL 3a and b meet the timelines established by the RESTORE Act, Council Guidelines and the Notice of Funds Availability. This will include review of submissions for best available science and environmental compliance with NEPA and other environmental federal regulations.*
- b) *Post-award management and oversight ensures that grants funded under the Initial FPL and FPL 1 and 3a and 3b are on schedule to achieve intended results.*

Performance Indicator 2.4:

Compliance Staff Management of Grant and Interagency Agreements.

- a) *The grants and compliance component of the Council staff review of grant and Interagency Agreement applications for funding under FPL 3 a and b meet timelines established by the RESTORE Act, Council Guidelines and the Notice of Funds Availability.*
- b) *Post-award management and oversight is carried out for all grants and Interagency Agreements. Pre- and post-award reviews ensure compliance with all administrative and regulatory requirements under the RESTORE Act, Part 200, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, support mitigation of applicable critical risks in the Council Risk Profile and Improper Payments and Elimination and Recovery Act (IPERA), and meet other federal regulatory requirements.*

Performance Goal 3: Spill Impact Program Performance Excellence

Effective and efficient implementation and administration of the Spill Impact Program achieve the goals of the Act.

Performance Indicator 3.1:

Programmatic Staff Management of Grants.

- a) *The programmatic component of the Council staff reviews of grant and Interagency Agreement applications for funding under the SEP processes meet timelines established by Council Standard Operating Procedures. This includes review of submissions for best available science and environmental compliance with NEPA and other environmental federal regulations.*
- b) *Post-award management and oversight ensures that grants and agreements are on schedule to achieve intended results.*

Performance Indicator 3.2:

Compliance Staff Management of Grants.

- a) *The grants and compliance component of the Council staff review of grant applications for funding under each state's SEP, meet timelines established by the RESTORE Act, Council Guidelines and the Notice of Funds Availability.*
- b) *Post-award management and oversight will be carried out for all grants and Interagency Agreements. Pre- and post-award reviews by Council program, grant, administrative and financial staff ensure compliance with all administrative and regulatory requirements under the RESTORE Act, 2 C.F.R. Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, support mitigation of applicable critical risks in the Council Risk Profile and IPERA, and meet other federal regulatory requirements.*

Stewardship Goals

The Stewardship Goals respond to the responsibilities of Federal agencies to provide appropriate safeguards in executing mission and service-related activities effectively and efficiently, including minimizing instances of waste, fraud, and abuse (OMB A-11, Section 240).

Performance Goal 4: Operational Excellence

An administrative infrastructure that supports team work, collaboration, synergy between functional areas and overall operational excellence to provide excellent services, programs and outcomes to the Gulf Coast region is maintained.

Performance Indicator 4.1:

Effective oversight of grant and interagency agreement post-award cash disbursement processes supports the prevention of improper payments.

Performance Indicator 4.2:

Grant and IAA drawdowns are compliant with award terms and conditions, and consistent with the progress achieved and milestones met.

Performance Indicator 4.3:

Applications include relevant and adequate justification for the selection of particular metrics and an adequate proposal for scientific monitoring.

Performance Indicator 4.4:

Reported progress towards metrics provides a useful gauge of the success of the project or

program. Reports include a description of the methodology for quantifying results for each metric and monitoring the achievement of the metrics.

Performance Goal 5: Management Excellence

Council staff will provide exceptional service to the Council members and their accompanying state and federal agencies, as well to the many stakeholders associated with restoration of the Gulf of Mexico ecosystem by meeting programmatic, administrative and customer service objectives.

Performance Indicator 5.1:

Requisite reports submitted in timely manner.

Performance Indicator 5.2:

OIG audit findings and recommendations addressed in a timely manner.

Performance Indicator 5.3:

All Council operations required by the RESTORE Act are monitored and audited by the Department of Treasury OIG, and audit recommendations are promptly implemented.

Performance Indicator 5.4:

Records are management in accordance with NARA guidelines.

Performance Indicator 5.5:

Workforce.

- a) *Decisions regarding human resources and HR requirements support the transition from an entrepreneurial start-up operation to a steady-state operational mode.*
- b) *Workforce initiatives support the 21st Century Cross-Agency Priority Goal and its Sub-goals:*
 - i) *Enabling simple and strategic hiring practices,*
 - ii) *Improving employee performance management and engagement, and*
 - iii) *Reskilling and redeploying human capital resources.*

Performance Indicator 5.6:

Organizational Risk Assessed and Risk Mitigation Factors Employed.

- a) *Organizational risk assessment recommendations meet all OMB Circular A-123 requirements; documentation of tactical level risk mitigation activities is complete, including IPERA, the Uniform Guidance (2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards), and the*

President’s Management Agenda.

- b) *Completion of project and program site visits serve as useful tools to provide technical assistance to our recipients while simultaneously mitigating critical risks on the Council’s external risk profile.*
- c) *Comply with all requirements under FISMA including submission of timely reports.*

Service Goals

The Service Goals speak to the activities that reflect the interaction(s) between individual citizens or businesses and Federal agencies in providing a direct service on behalf of the Federal Government, and which is core to the mission of the agency (OMB A-11, Section 240).

Performance Goal 6: Public Engagement Through Inclusion and Transparency

The Council staff will provide public engagement opportunities that reflect the richness and diversity of the Gulf Coast communities to ensure ongoing public participation in the Council’s restoration efforts.

Performance Indicator 6.1:

Strategic engagement with all stakeholders, including the underserved/under-represented Gulf Coast communities through proactive engagement of stakeholders and providing accurately translated materials and interpretation services at public meetings.

D. Assessment of the Council’s Progress Toward Program Goals

Over the seven fiscal years of 2016 through 2022, a total of 155 awards were made (Tables 5 and 6), including: 26 grants and 26 IAAs under FPL 1, 5 grants and 5 IAA’s under FPL 2, 1 grant under 2020 FPL 3a, 5 grants and 3 IAAs under 2021 FPL 3b, and 83 SEP awards.

Table 5: Number of grants to state members by program and fiscal year (2016 to 2022).

Fiscal Year	FPL 1	CPS (FPL2)	2020 FPL 3a	2021 FPL 3b	SEP	Total
2016	1				2	3
2017	13				2	15
2018	6	5			4	15
2019	4				5	9
2020	1				39	40
2021	1			1	16	18
2022			1	5	15	21
Totals	26	5	1	6	83	121

Table 6: Number of IAAs to federal members by program and fiscal year (2016 to 2022)

Fiscal Year	FPL 1	CPS (FPL2)	2021FPL 3b	Total
2016	1			1
2017	8			8
2018	9	4		13
2019	4	1		5
2020	2			2
2021	2		1	3
2022			2	2
Totals	26	5	3	34

Another significant element of work by Council staff related to award management are the number of post-award amendments being requested by recipients. In FY 2022, a total of 41 amendments were processed; 32 non-monetary amendments and 9 monetary-related amendments.

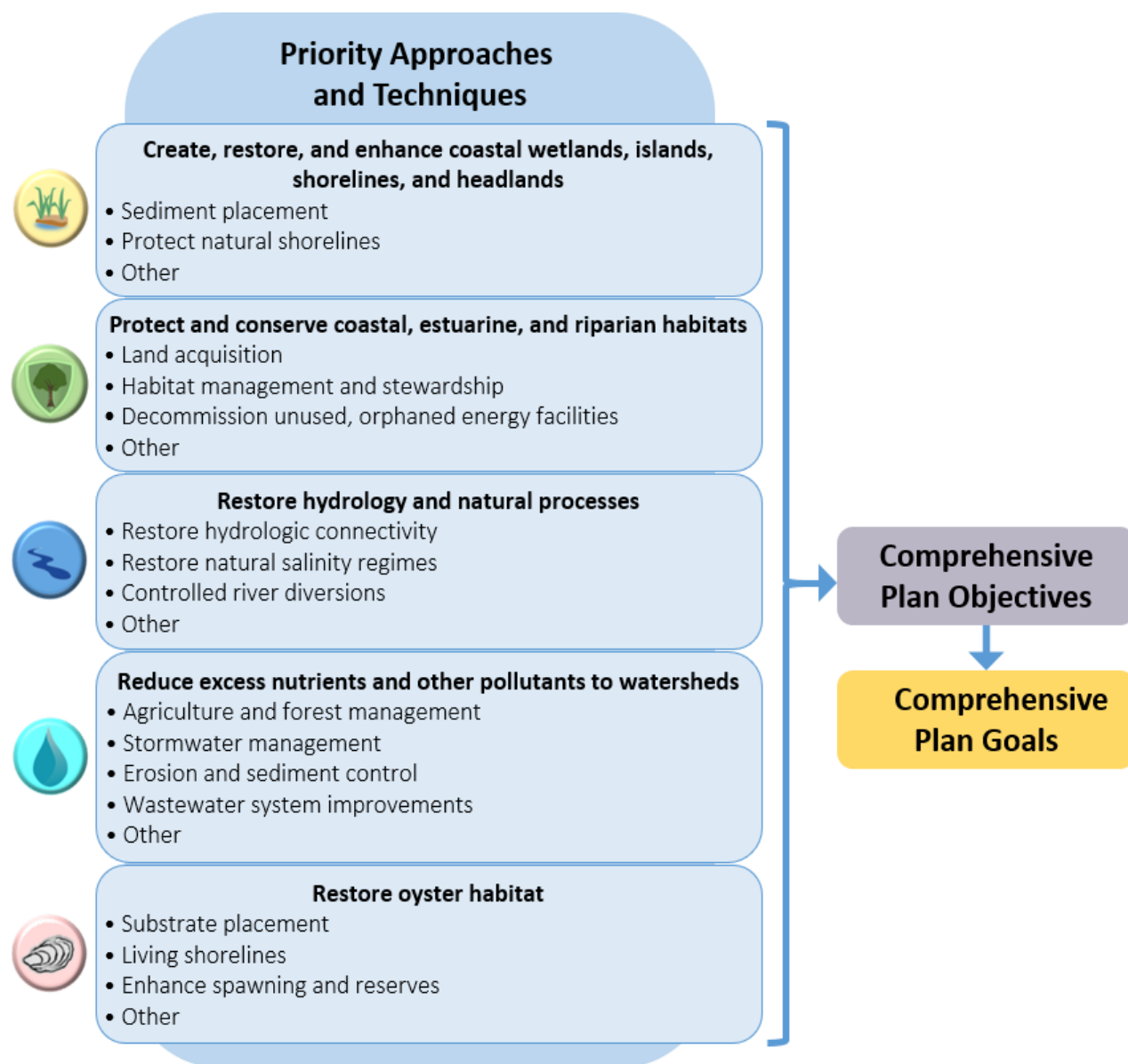
One of the most significant actions the Council has taken to improve communication of performance was the development of the Council’s [2019 Planning Framework](#) which strategically links past and future restoration funding decisions to the overarching goals and objectives outlined in the 2016 Comprehensive Plan Update. The Planning Framework indicates priorities designed to continue building on previous investments, while expanding opportunities to meet all Comprehensive Plan goals and objectives in the future.

The Council recognizes the unprecedented opportunity it has to restore Gulf ecosystem conditions and functions with this funding, as it represents some of the most substantial investments in landscape-level restoration in U.S. history. Despite this, funds are insufficient to fully address all the needs of the Gulf given the multiple environmental challenges impacting the region. The 2019 Planning Framework was designed to describe priorities that strategically link past and future restoration funding decisions, and place them within the context of the Comprehensive Plan goals and objectives. With each FPL, the Council considers how to build on previous investments while expanding opportunities to meet all of its Comprehensive Plan goals and objectives, consistent with the RESTORE Act Priority Criteria.

The Planning Framework lists priority restoration approaches and techniques (Figure 3) their relationship to the Comprehensive Plan goals and objectives and associated geographic areas. The purpose of this document is to provide the public and potential funding partners with an indication of the kinds of projects that were anticipated to be developed for FPL 3 funding consideration. As part of the process of developing future FPLs, the Planning Framework will be reviewed and revised as needed to incorporate outcomes and lessons learned from previously implemented

projects, scientific and technical developments, changing policy, public input, and other planning considerations.

Figure 3: The 2019 Planning Framework priority approaches and techniques can be applied to support the Comprehensive Plan objectives and goals



Although the Planning Framework was not developed until 2019, categorization by each of the Comprehensive Plan Objectives for the projects and programs funded under the Council-Selected Restoration Component through FY 2022 (FPL’s 1, 2 and 3a and b) provides an overview of the Council’s funding priorities to date. Over 92 percent of funds approved or budgeted (Figure 4) went to support the following three objectives: Restore, enhance and protect habitats (42.7%, \$284.7M); Restore, improve and protect water resources (28.4%, \$189.2M); and Restore and enhance natural processes and shorelines (21.4%, \$142.3M). The remaining 7.5 percent of selected

programs and projects are being used to promote community resilience (\$14M), improve science-based decision-making (\$12.5M), and promote natural resource stewardship and environmental education (\$2M).

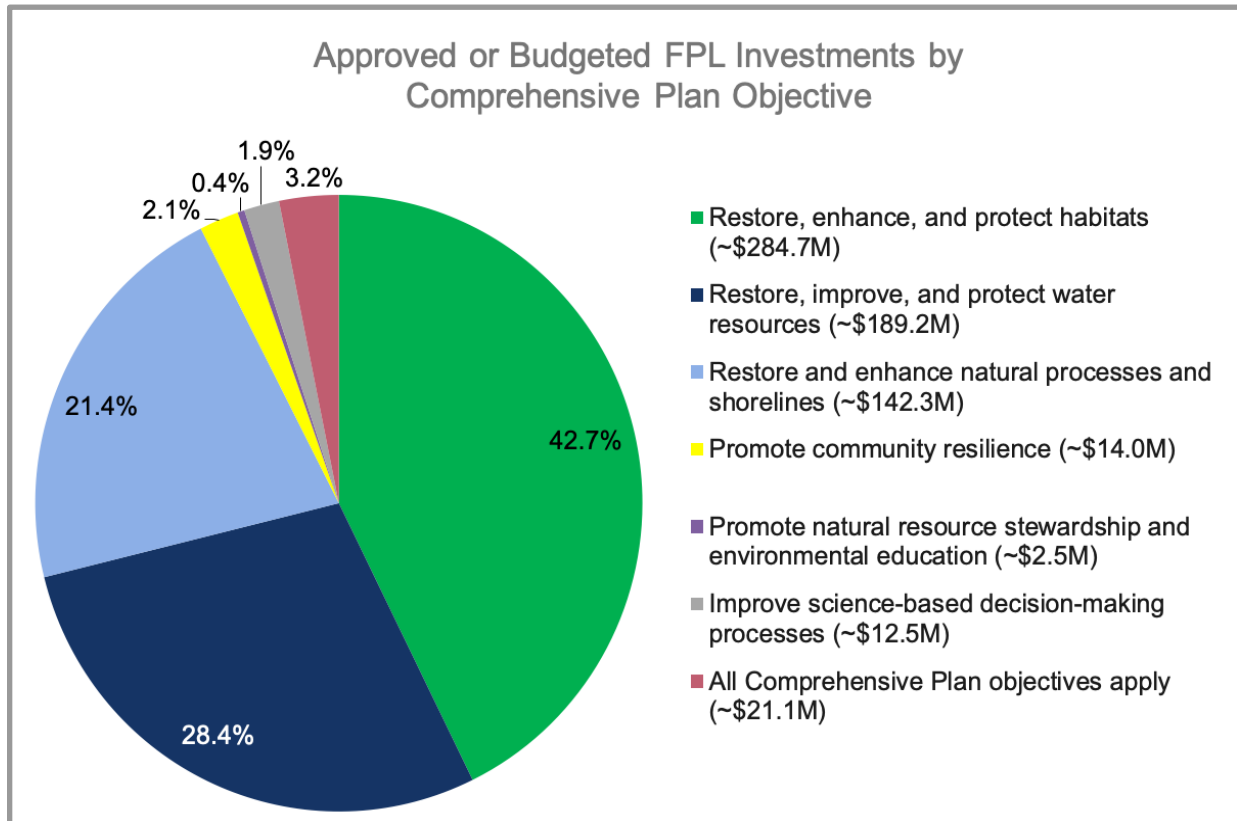


Figure 4: 2015 Initial FPL, 2017 CPS FPL, 2020 FPL 3a, and 2021 FPL 3b funds by Comprehensive Plan Objective. *Note: The “Improve science-based decision-making processes approach” is sometimes used to support other primary objectives. For example, in the 2015 Initial FPL, some monitoring activities were funded to primarily benefit the “Restore, enhance, and protect habitats” objective*

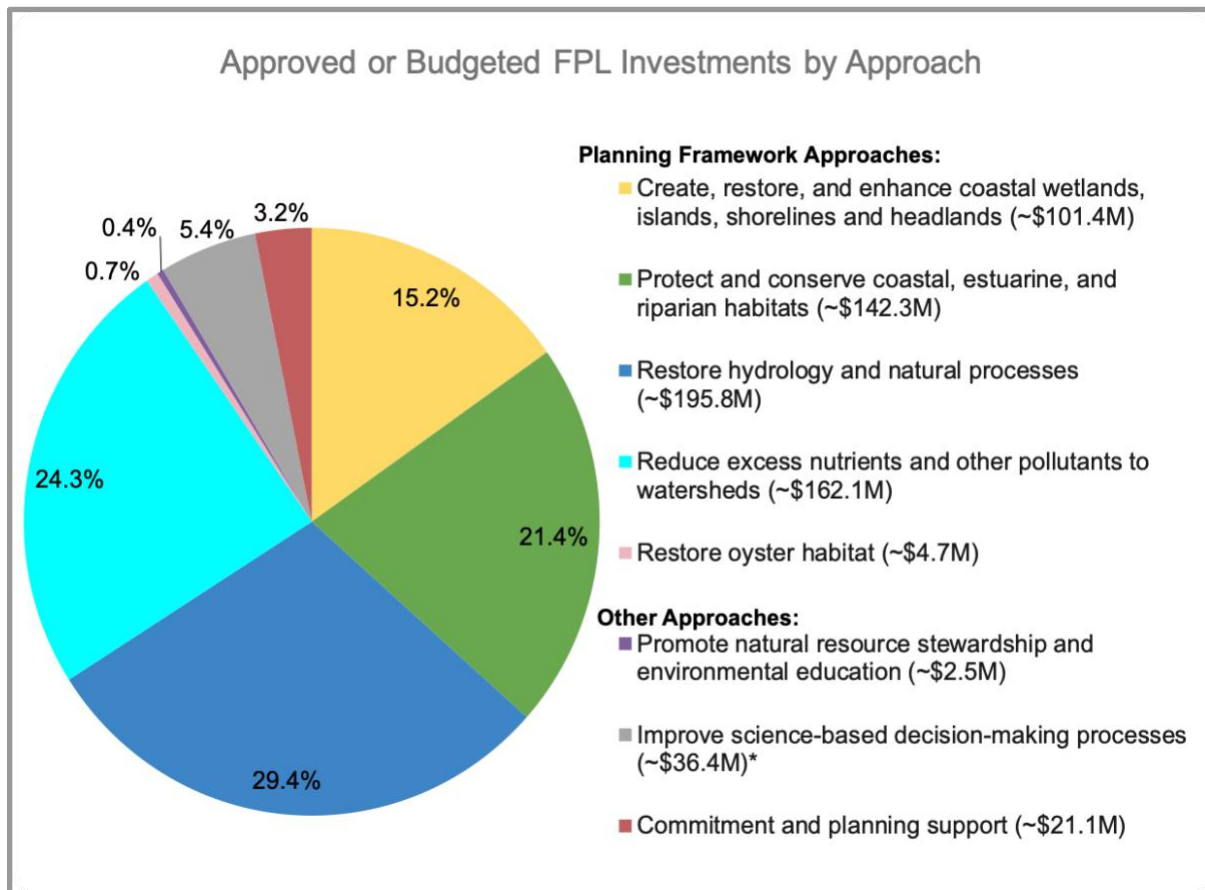


Figure 5: 2015 Initial FPL, 2017 CPS FPL, 2020 FPL 3a, and 2021 FPL 3b funds by primary approach. *Note: The “Improve science-based decision-making processes approach” is sometimes used to support other primary objectives. For example, in the 2015 Initial FPL, some monitoring activities were funded to primarily benefit the “Restore, enhance, and protect habitats” objective.*

The Planning Framework also provides a mechanism to view primary approaches to ecosystem restoration of the Gulf being utilized by the members through the Council-Selected Restoration Program’s FPLs (Figure 5). To date (FY 2022), there are four primary approaches being utilized that account for over 90 percent of the funds approved or budgeted, including: Restore hydrology and natural processes (29.4%, \$195.8M); Reduce hydrology and natural processes (24.3%, \$162.1M); Protect and conserve coastal, estuarine, and riparian habitats (21.4%, \$142.3M); and Create, restore and enhance coastal wetlands, islands, shorelines, and headlands (\$15.2%, \$101.4M).

The Spill Impact Component funding through FY 2022 can also be parsed by the Council’s Objective to identify primary funding priorities (Figure 6). Projects that support the Councils objectives to Restore, enhance and protect habitats (31.3%, \$120.7M) and Restore, improve and protect water resources (28.7%, \$110.5M) account 60 percent of the SEP funding to date. A total of 31.8 percent of the remaining SEP projects support the following Council objectives: Protecting community resilience (15.8%, \$60.8M); Improve science-based decision-making (9.2%, \$35.6M); and economic-related projects (6.8%, \$26.1M).

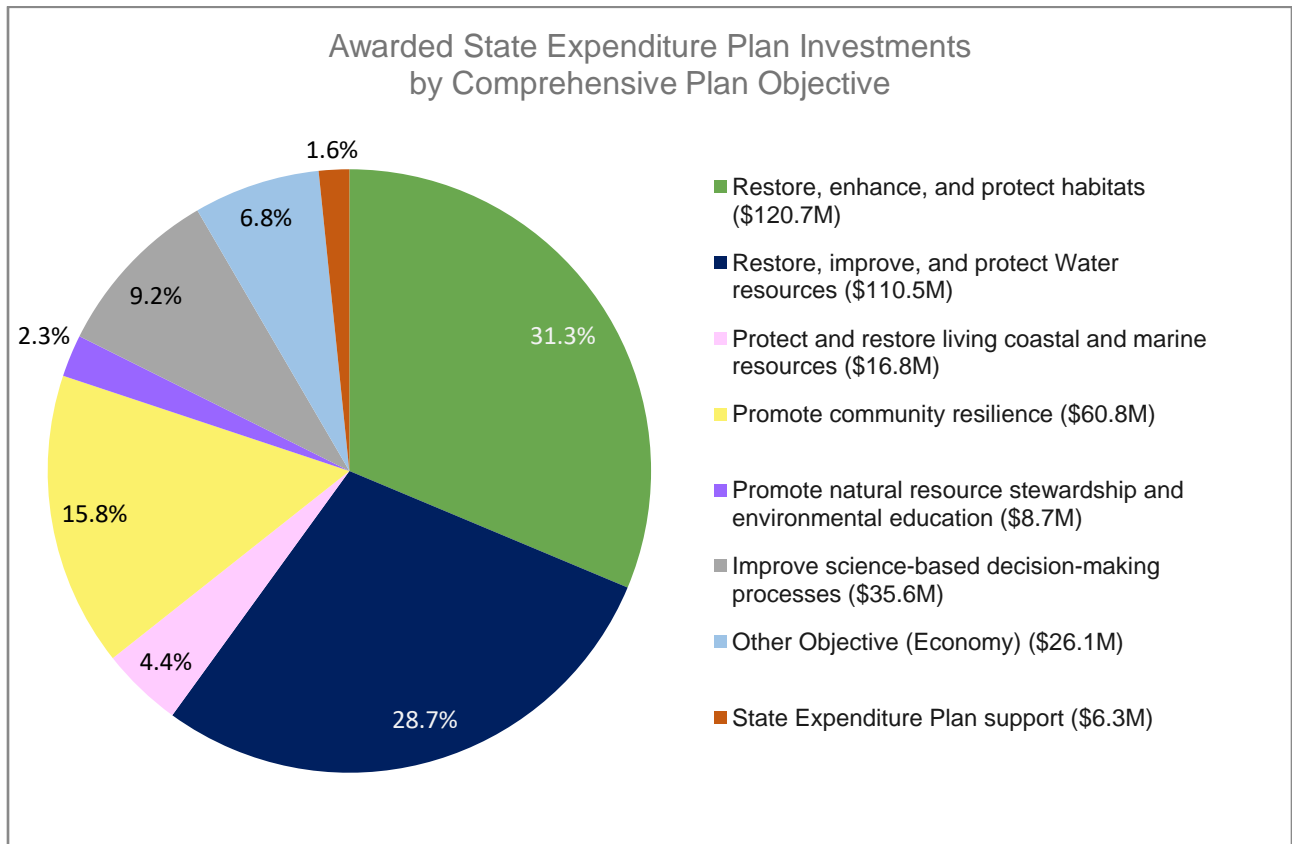


Figure 6: State Expenditure Plans awarded funds by Comprehensive Plan objectives. This figure includes funds awarded to all 5 states as of September, 2022. *Note: Unlike for the Council-Selected Restoration Component figures, this figure shows only funds that have actually been awarded to states through grants. State Expenditure Plans may be regularly amended to add, change, or remove projects in order to adapt to changing needs within each state over the lifetime of the program. Therefore, funds for activities approved in SEPs, but not yet awarded to states, are not shown.*

Members are required to monitor the performance of all projects funded by the Council toward ecosystem restoration. In 2021 the Council updated its [Observational Data Plan \(ODP\) Guidelines](#) to provide guidance to the Council’s grant and IAA recipients on the selection of metrics, parameters and monitoring methodologies for Council funded activities. The Council has currently identified 61 [performance-level metrics that are organized by the Planning Framework restoration approaches and techniques being implemented by a project or program](#). These metrics are used to monitor and evaluate the efficacy of projects and programs in meeting the mission goals and objectives of the Council and track annual performance. Based on the 2019 Submission Guidelines and 2021 ODP Guidelines, metrics selected should be:

- Objective;
- Quantifiable;
- Accompanied by targets (success criteria);
- Consistent across program activities (e.g., water quality benefits);
- Identified in proposals with details provided in application ODPs; and
- Able to support the goals and objectives of the program or project.

The FPL and SEP projects funded during fiscal years, 2016, through 2022 are already achieving results (Table 5). The metric measurements are provided by the Council’s Goals and subset by Objective. To date, Council funds have been used to acquire 8,920 acres of land and restore 2,003 acres of wetlands and 6,410 acres of non-wetland areas, primarily in support of the Council’s goal to Restore and Conserve Habitat. It should be noted that most land acquisition and improved management practices also have direct connection to improving water quality and quantity. Council funds under Council-Selected Restoration and Spill Impact Components are being used to restore land, marine habitat, wetlands and remove invasive species (1,617 acres) which support the Council’s goal to Restore and Conserve Habitat. Funds invested through the Council-Selected Restoration and Spill Impact Components are also providing support for research and planning, monitoring activities, outreach and education, and providing economic benefits in support of the Council’s goal to Restore and Revitalize the Gulf Economy.

Table 6: Performance-level metrics results from projects funded under the Comprehensive Plan Component and Spill-Impact Component Funding. The information in the table summarizes the reported by FPL and SEP activities awarded to date. For each metric measure, the associated primary Comprehensive Plan goal, objective, and Planning Framework Restoration Technique are provided.

Goal: Restore and Conserve Habitat

Objective: Restore, Enhance and Protect Habitat – Technique: Land Acquisition

Metric Measure	Total
Acres acquired in fee	8,920
Miles of shoreline acquired	14.5

Objective: Restore, Enhance and Protect Habitat – Technique: Habitat Management and Stewardship

Metric Measure	Total
Agricultural best management practices (BMPs) - Acres under contracts/agreements	38,302
Removal of invasives - Acres restored	1,617
Habitat restoration (non-wetland) - Acres restored	6,410
Wetland restoration - Acres restored	2,003
Habitat restoration - Acres SAV restored	223

Objective: Restore, Enhance and Protect Habitat – Technique: Substrate placement

Metric Measure	Total
Habitat restoration - Oysters habitat	317

Goal: Restore Water Quality and Quantity

Objective: Restore, Improve and Protect Water Resources – Technique: Agriculture and forest management

Metric Measure	Total
Erosion Control – acres restored to reduce surface and/or stream channel erosion	435

Goal: All

Objective: All – Technique: Planning

Metric Measure	Total
Number of management plans developed	11.5

Objective: Improve Science-based Decision-Making Processes – Technique: Improve Science-based Decision-Making Processes

Metric Measure	Total
Number of studies used to inform management	47
Number of decision-support tools developed	5

Objective: Improve Science-based Decision-Making Processes – Technique: Increase monitoring capacities

Metric Measure	Total
Number of streams/sites being monitored	447
Acres being monitored	13,437*

Objective: Promote Natural Resource Stewardship and Environmental Education – Technique: Promote Natural Resource Stewardship and Environmental Education

Metric Measure	Total
Number of people enrolled to implement best management practices	356
Number of users engaged online	7,580
Number of participants that successfully completed training	466

Outreach through promoting natural resource stewardship and environmental education is an important component of the Council’s efforts as shown by almost 8M people being reached by outreach, training, or technical assistance activities, while 7,580 users are engaged with online activities. While much of this work is ongoing, at the end of FY 2022 Council funded activities also resulted in the improvement of management practices on at least 38,302 acres through Best Management Practices (BMP). The Council is also improving science-based decision-making

processes by supporting the completion of 47 studies to inform management and monitoring 13,437 acres in 447 sites across the Gulf. Of particular note regarding the number of acres being monitored, Council funds are being used to leverage other monitoring, assessment and data management programs including Louisiana’s 14.6M-acre Adaptive Management Program areas under the overarching umbrella of the System-Wide Assessment and Monitoring Program (SWAMP).

E. Summary of Performance in Terms of Historical Trends

The Council Selected Restoration Component has provided \$271M in funding through FY 2022. The Spill Impact component provides grant funds to the state Council members, with a total of \$392.8M awarded over this seven-year period.

1. Meeting Council Goals Over Time

A total of 55% all RESTORE Council funding through the Council-Selected and Spill Impact Components are supporting the Restore and Conserve Habitat goal (Figure 5) over the past seven years, while 25% of all funding is supporting the Restore Water Quality and Quantity goal.

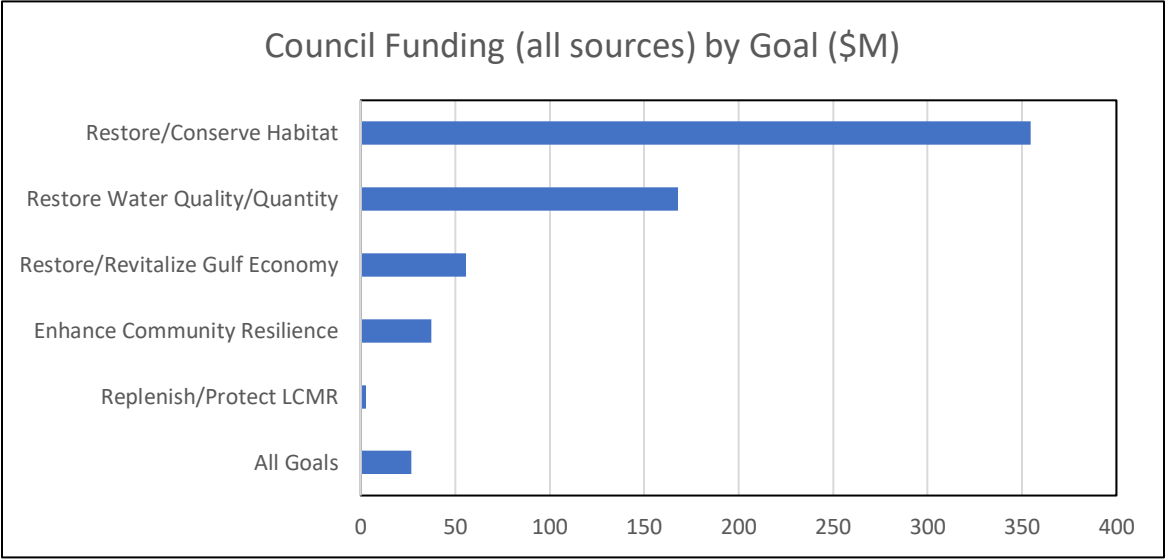


Figure 7: Funding trends for state and federal members (all sources) in support of Council’s goals

Funding trends by the seven fiscal years for which funding has been awarded to Council members are shown in Figure 8 for all funding sources (Council-Selected and Spill Impact Components) in support of the Council’s goal to Restore and Conserve Habitat, while the Restore Water Quality and Quantity funding trends by year are provided in Figure 9.

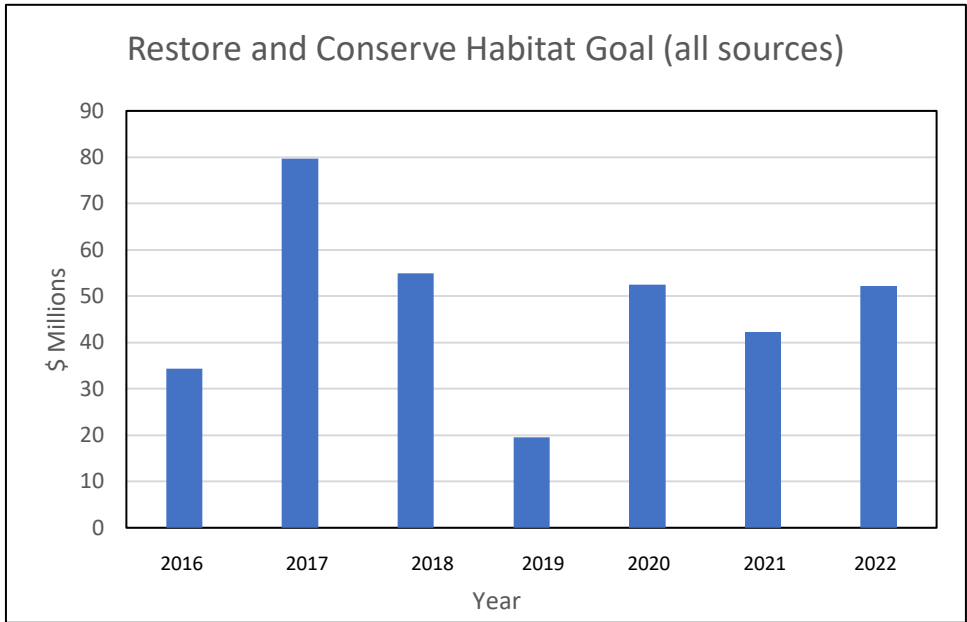


Figure 8: Funding trends for grants and IAA’s from Council Selected and Spill Impact Components in support of the Restore and Conserve Habitat goal by fiscal year

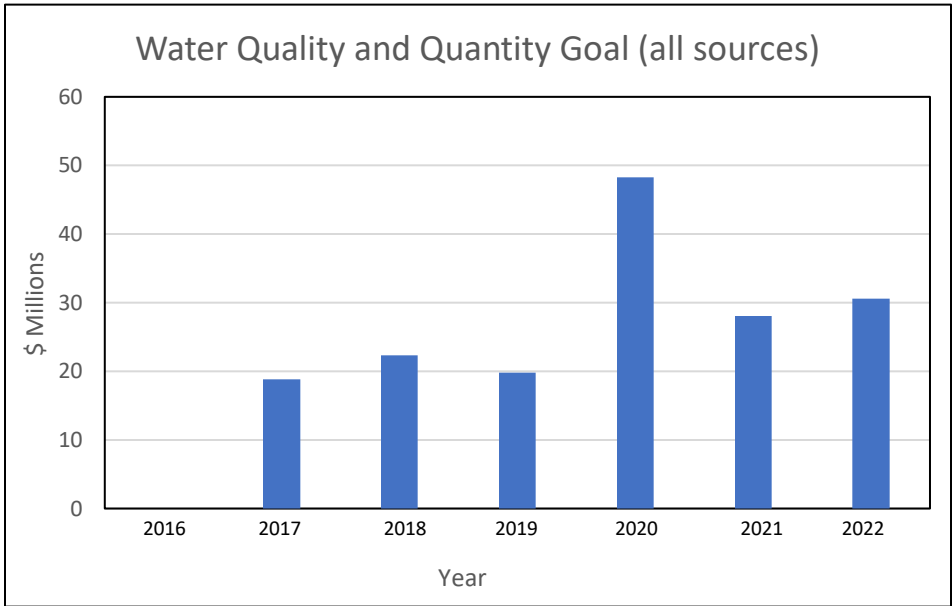


Figure 9: Funding trends for grants and IAA’s from FPL 1 and SEPs in support of the Restore and Conserve Water Quality and Quantity goal by fiscal year

F. Summary of Strategies and Resources Used to Achieve Goals

Building on the strong foundation established in the Gulf Coast Ecosystem Restoration Task Force, Gulf of Mexico Regional Ecosystem Restoration Strategy and other local, regional, state, and federal plans, the Council is taking an integrated and coordinated approach to Gulf Coast restoration. As the Council recognizes that ecosystem restoration investments may also improve

prosperity and quality of life, this approach strives to both restore the Gulf Coast region's environment and simultaneously revitalize the region's economy. In addition, this approach acknowledges that coordinated action with other partners is crucial to successfully restore and sustain the health of the Gulf Coast region.

1. Regional Ecosystem-based Approaches to Restoration

Ecosystems are subjected to both natural and human alterations that act together as “stressors” and affect natural ecosystem structure and function. The more ecosystems are stressed, the less resilient they may be to even larger, global challenges such as climate change. With its approval of 2021 FPL 3b, the Council has approved funding for several programs that are intended to address large-scale ecosystem stressors that result in water quality impairment, coastal habitat loss and degradation, and coastal resilience challenges.

The use of a watershed/estuary-based approach for comprehensive ecological restoration was captured as a fundamental component of the 2016 and 2022 Comprehensive Plan Updates. Linking projects to environmental stressors by watershed or estuary is scientifically sound and offers operational advantages which assist in leveraging ecosystem restoration program resources. A focus on watersheds, in concert with foundational Gulf-wide activities, is one approach to ensuring that funds are spent in a way that contributes to comprehensive Gulf restoration. With the approach, the Council engages stakeholders, and strategically addresses priority goals. The Council makes funding decisions that leverage limited restoration resources for maximum effectiveness, while also supporting planning, science, and other activities that maximize the potential for success.

Geographic areas described in the [2019 Planning Framework](#) are a step toward identifying priority watersheds/estuaries for investment to meet Comprehensive Plan goals and objectives. These geographic areas vary in size from specific watersheds/estuaries to coverage of the entire coastal area of one or more states. To some degree, this range reflects the extent to which individual projects have been identified within the broader programs. In some geographic areas, the planning process may be advanced sufficiently to have identified specific restoration activities within a watershed/estuary. In others, additional planning and review of restoration options may be needed before identifying specific actions. In addition, these geographic areas reflect the anticipated collaboration — among members, among funding partners, and across states — needed to address broader environmental stressors.

The allocation of funding by Gulf watershed/geographic area are shown in Figure 10. The watersheds/geographic areas that have received the most funding as a total of all funding sources, are the Lower Mississippi River (26.4%), Mobile Bay (25.5%), and Mississippi Sound (19.9%).

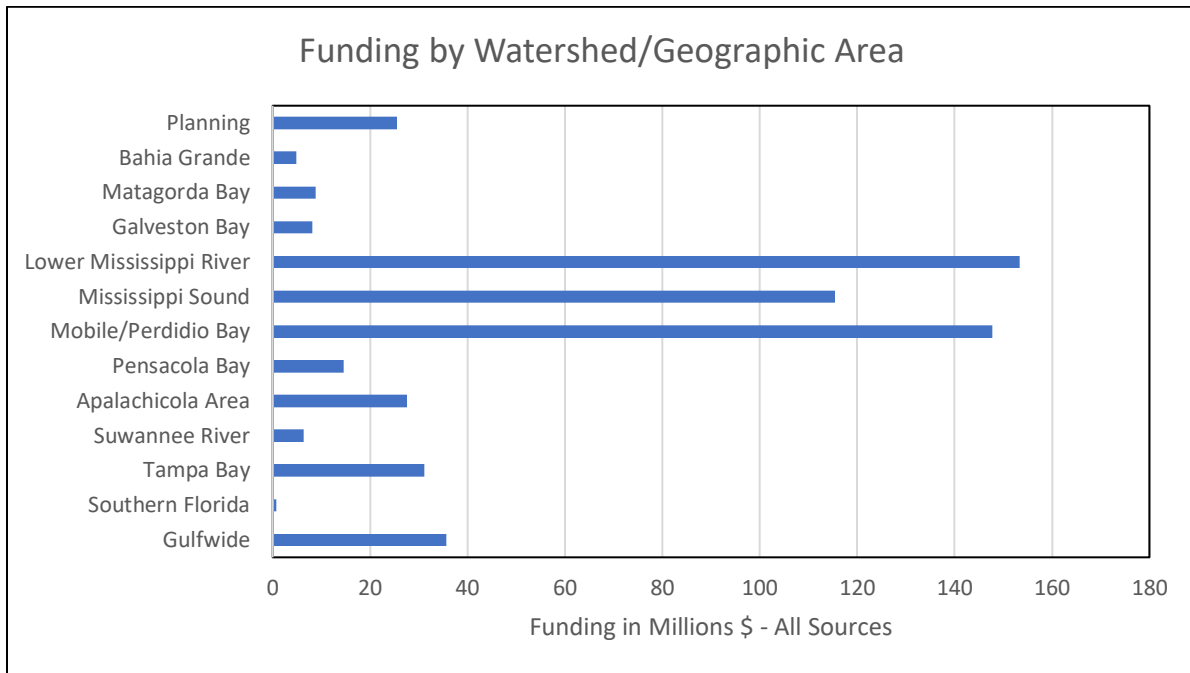


Figure 10: Distribution of funding for state and federal Council members from the Council-Selected Restoration and Spill Impact Components by watershed or geographic area

2. Coordinating, Collaborating, and Connecting Gulf Restoration Strategic Activities

Consistent with its Comprehensive Plan commitment, the RESTORE Council is using collaborative and coordination processes to help ensure that Council-Selected Restoration component funded projects and programs complement restoration being accomplished through other funding streams. The funding available through the Council, as well as the other DWH-related funding sources (including other components of the RESTORE Act, Natural Resource and Damage Assessment (DWH NRDA), and National Fish and Wildlife Foundation Gulf Environmental Benefit Fund (NFWF GEBF)), presents an unprecedented opportunity to improve Gulf ecosystem conditions and function, representing one of the most substantial investments in landscape-level restoration in U.S. history. The Gulf of Mexico region faces multiple stressors, ranging from man-made sources like the DWH oil spill disaster, water quality/quantity issues and the annual offshore hypoxic zone, as well as naturally-occurring impacts including hurricanes. By working collaboratively among the Council members and with other DWH-related funding sources, as well as working with other federal, state, and philanthropic funds, great progress can be made to increase the resiliency of the Gulf of Mexico ecosystem against these stressors.

To advance these commitments, the Council approved a second FPL in January 2018, referred to as the *2017 Commitment and Planning Support FPL (2017 CPS FPL)*. Rather than funding specific restoration projects or programs, the 2017 CPS FPL dedicates funds over a five-year period to help Council members meet 2016 Comprehensive Plan Update commitments and identify potential areas for future FPL proposal development. Council members use these funds to initiate and enhance collaboration, and to develop tools for exchanging ecosystem restoration and protection ideas for funding consideration in the next FPL. Council members held meetings throughout the Gulf to discuss these concepts and potential techniques to address environmental challenges and

stressors. The culmination of this work thus far was the 2019 Planning Framework, [2020 FPL 3a](#), and [2021 FPL 3b](#). Members continue to use these funds to collaborate with one another, other funding partners, and stakeholders as they continue the work required to finalize their awards under these FPLs and, in the case of approved programs for which specific projects are not yet determined, to engage stakeholders in soliciting project ideas.

A major challenge to Gulfwide ecosystem restoration is coordinating efforts within each state, among Council members, stakeholders, and across the Gulf restoration efforts to support personnel, travel, and logistics necessary for more effective collaboration and planning. In 2018, funding was approved in a second FPL “Funded Priorities List: Comprehensive Plan Commitment and Planning Support” (2017 CPS FPL) to address this challenge. Each of the eleven Council members were able to apply for up to \$2.1M over a five-year period beginning in 2018 through 2023. Specifically, the funding provided funds necessary for members to:

- Strengthen ecosystem restoration proposals for future FPL(s) under the Council-Selected Restoration Component;
- Enhance the efficiency of future FPL development processes; and
- Facilitate long-term planning and leveraging efforts across funding streams.

The 2022 Comprehensive Plan update provided a review of the effectiveness of the CPS FL, concluding that the use of a small portion (\$20.8M of 663.9M funding to date) of its total Council-Selected Restoration Component funds to advance its Comprehensive Plan commitments has successfully met the intended purpose.

Some highlights of the collaborative activities and the outcomes of those activities include:

- **FPL-focused stakeholder engagement**
 - **Individual member-led engagement:** Some members used funds to meet with stakeholders in their region to discuss priorities and solicit restoration ideas. This included creation of supporting materials such as graphics, questionnaires and surveys, informational handouts, and other visual aids for use in presenting ideas about projects that may be considered for funding in future FPLs. Several states used 2017 CPS FPL funds to conduct meetings, referred to as “summits,” where the public was presented with updates on Deepwater Horizon restoration efforts through current restoration projects and the announcement of new projects for future funding. Another communication tool being used by members is the maintenance of state-based coastal restoration websites. In addition to the Council’s website (www.restorethegulf.gov) these state websites are resources for the public to gather information on restoration in their area of interest as well as implementation of the [RESTORE Act](#).
- **Intra-Council collaboration**
 - **Member-to-member meetings:** At different points during the 2020-21 FPL 3 development process, members gathered in small groups to brainstorm on restoration ideas and priorities across the Gulf, and to determine whether there might be any funding partnering opportunities that could be leveraged to create stronger proposals. Some members also established state-based work groups to provide technical

assistance, and developed partnerships between states and federal entities to assist with environmental compliance activities.

- **Pre-proposal Council meetings:** During Year 2, members dedicated several two-day Council meetings to discuss FPL project and program ideas as a full group, in order to gauge interest and strengthen the quality of the concepts prior to developing proposals.
- **Internal Best Available Science (BAS) Review Panel:** This panel was convened after completion of external BAS reviews of FPL 3 proposals by external experts. It leveraged technical expertise across the member agencies in reviewing and responding to these reviews. Responsive to both public comments and Comprehensive Plan commitments, the BAS review process for FPL 3 was enhanced with the inclusion of the internal BAS panel review, which enabled collaborative discussions of project interactions, synergies, benefits, and risks.
- **Environmental compliance efficiencies:** In order to strengthen the quality and general feasibility of proposals, members used funds to conduct pre-consultation environmental compliance coordination. Through this collaborative process, members determined that existing documentation held by a federal member could be used to meet National Environmental Policy Act (NEPA) requirements on some 2021 FPL 3b programs. This expedited funding approvals for certain projects and programs, and avoided both potential process and documentation duplication.
- **Leveraging Member Agency expertise:** Members used funds to support their staffs' time to engage in multiple standing internal workgroups related to public engagement, monitoring, and environmental compliance.
 - **Public Engagement Workgroup:** Many of the collaborative, FPL-focused public engagement and outreach activities described above were informed through participation in a monthly meeting of a Council workgroup focused on supporting the Council's public engagement activities. Public engagement experts from each member agency provided technical input to improve the clarity of the Council's messages.
 - **Council Monitoring and Assessment Workgroup:** This workgroup, composed of technical experts from each of the member agencies, supports the Council in meeting its commitments to monitoring and adaptive management, and the use of BAS. To help facilitate consistency in monitoring and data collection across its activities, the Council approved the [Council Monitoring and Adaptive Management Guidelines](#) in FY2020. As described in the [CMAWG 2021-2022 Annual Work Plan](#) this group encourages compatibility of monitoring and data management procedures and serves as a forum for the Council to collectively address MAM topics relevant to multiple Council member agencies.
 - Recent accomplishments include updating the Council's guidelines for developing and implementing project and program Observational Data Plans, including recommendations on appropriate metrics, monitoring methodologies, and data management procedures.
 - **Gulf Coast Interagency Environmental Restoration Workgroup (GCIERWG):** This workgroup, as described previously, began as a partnership of federal agencies and recently expanded to include state member experts, thus greatly increasing intra-Council collaborative support for environmental compliance reviews. This expansion has connected Council members' staff with

one another, establishing a strong foundation for future collaborative approaches for environmental review supporting 2020-21 FPL 3 and future FPLs.

Combating all of the ecological threats in the Gulf is a complex challenge that greatly exceeds existing and expected restoration funding. The Council is committed to maximizing the effectiveness of funds within its purview while also continuing to identify and leverage new sources of funding to support current and future restoration work. In addition to the Council's existing restoration partners discussed in this 2022 Comprehensive Plan Update, there are other parties that have a growing interest in participating in ecosystem restoration. For example, private-sector and nonprofit entities are exploring new and innovative ways to bring capital to restoration activities. Given its own limitations relative to the size and scope of the Gulf restoration challenge, the Council welcomes potential partners and is interested in exploring ways such endeavors can potentially help the Council to advance its mission. One recent example is the \$1.2 trillion infrastructure bill signed in 2021, which includes funds to address coastal infrastructure needs. The Council is committed to open dialogue and future collaboration with such partners in this emerging arena.

G. Summary of Significant Underlying Factors that Affected the Performance (including factors outside of the Council's control as well as those the Council could control)

There are myriad natural and man-made factors that could potentially affect performance of the projects and programs funding through the Council. Therefore, the Council must consider a wide range of past, ongoing, and emerging environmental threats which could impact performance of awards under the Council-Selected Restoration and Spill Impact components of the RESTORE Act. For example, sea-level rise combined in some areas with ongoing subsidence can pose a significant risk to coastal ecosystems and communities, and to the Council's own coastal restoration investments. Tropical systems, like Hurricane Laura that hit the western portion of Louisiana and eastern Texas during FY2020 can have a deleterious impact on coastal restoration efforts. Water quality degradation is another environmental issue impacting resilience and sustainability leading to, among many other impacts, one of the world's largest hypoxic regions ("Dead Zone") which forms each year off the Louisiana coast and can reach the size of the State of New Jersey. The Council is committed to using the best available science to consider relative sea-level rise, water quality, and other risks as it makes coastal restoration funding decisions. The Council is also committed to working with a broad range of stakeholders interested in coastal resilience.

The Council's Comprehensive Plan recognizes that healthy ecosystems are essential for thriving and resilient coastal communities. Across the Gulf coast, cultures, economies, and communities are built upon and sustained by natural ecosystems that provide clean water, abundant fisheries, storm protection, and other critical benefits. By restoring and protecting the Gulf environment through investments made in 2021 FPL 3b and other funding decisions, the Council can help communities enhance their ability to recover from natural and man-made disasters and thrive in the face of changing environmental conditions.

H. Identification of Anticipated and Unanticipated Risks

There are also inherent risks the Council will consider regarding the efficacy of individual projects and/or programs themselves ranging from impacts to performance (due to unforeseen events like impacts from a hurricane) to changes in cost beyond projected contingency plan levels, which could potentially impact the ability to complete a project or program.

The Council's Comprehensive Plan goals and objectives are designed to encompass the types of actions needed to restore ecosystem health and sustainability across the Gulf Coast region. To meet its goals and objectives, the Council must consider a wide range of past, ongoing, and emerging threats to the environment. For example, in some areas sea-level rise combined with ongoing subsidence can pose a significant risk to coastal ecosystems and communities, and to the Council's own coastal restoration investments. Water quality degradation, which can result from oil spills, pollution or landscape-scale activities in coastal and upland areas (e.g., silviculture, agriculture, channelization, and waste disposal), is another environmental issue that impacts the resilience and sustainability of coastal communities.

There are several strategies that the Council employs to anticipate and prepare for risk with associated mitigation strategies. The Council has completed an Enterprise Risk Assessment, and developed a risk profile that identifies strategic, operational, compliance, financial and reporting risks, assesses their likelihood and impact, and determines an overall risk rating with a categorization of critical, high, medium, and low. This analysis highlighted seven critical risks (high likelihood and high impact).

One of the risks speaks to the potential for overlapping project funding for the same purpose, which could take the form of project duplication within the Council-Selected Restoration Component, or a project funded by either the Spill Impact Component, or by one of the other *Deepwater Horizon* funding streams, including NRDA or the NFWF GEBF. The Council is providing a portion of the financial support for the [DWH Project Tracker](#) which provides a comprehensive way to track restoration efforts from a variety of DWH funding sources. Council staff also facilitate a DWH Project Tracker Working Group that aims to increase consistency in the activity data submitted to the DWH Project Tracker by the Council's funding partner. The emphasis and funding provided through the 2017 CPS FPL to support collaboration among the Council members and the other DWH funding streams also specifically addresses this risk.

The Council considers inherent risks to the efficacy of individual projects or programs, ranging from impacts on performance (due to unforeseen events such as hurricanes) to changes in costs (as experienced during the on-going COVID-19 pandemic) which could potentially impact the ability to complete a project or program. The Council is committed to using the best available science to consider relative sea-level rise, water quality, and other risks as it makes coastal restoration funding decisions. Specifically, proposals for Council funding should discuss whether the project or program is vulnerable to climate risks such as sea level rise, changes in rainfall patterns, and/or potential increases in hurricane intensity. In particular, proposals should discuss how such risks might affect the benefits and duration of the project or program. Where applicable, proposals should also discuss how the project or program might mitigate future risks associated with sea level rise, subsidence, and/or storms. This guidance, titled "[Council-Selected Restoration Component FPL 3 Proposal Submission Guidelines and Review Process](#)," is available on the

Council’s website. At this point, the Council has not determined whether updates to this guidance would be warranted for future FPL proposals. Under any scenario, the Council will continue to carefully consider how changing environmental conditions could influence the effectiveness, sustainability, and resilience of future restoration investments.

1. Best Available Science

The RESTORE Act requires the Council to “undertake projects and programs, using the best available science (BAS) that would restore and protect the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, coastal wetlands, and economy of the Gulf Coast.” In the 2016 update to its Comprehensive Plan, the Council strengthened its commitment to using BAS and delivering and measuring success through the use of common standards and monitoring protocols, and the development of indicators and metrics of restoration and conservation success by project, region, and/or watershed.

To address uncertainties and risk, each proposed activity is evaluated by the following parameters:

- Using best available science, summarize risks and uncertainties associated with the proposed activity, along with any proposed measures to mitigate such risks and uncertainties. In general, risks and uncertainties should be considered in both the near- and long-term, and with respect to the anticipated lifespan of the proposed project or program. This section may provide perspective on such risks and uncertainties relative to the potential benefits of the proposed project or program. For example, a long-term risk to the project or program posed by sea level rise might be offset by the potential near- and mid-term environmental benefits of the activity. Conversely, a potential benefit of the proposed project or program might be the mitigation of future risks associated with sea level rise, subsidence and/or storms.
- The proposal should discuss whether the project or program is vulnerable to applicable climate risks under varying future scenarios, including but not limited to sea level rise, alterations in rainfall patterns, and/or potential increases in hurricane intensity. Consider how such risks might affect the benefits and duration of the project or program. The proposal should describe any design or other measures taken to mitigate these risks.
- Other applicable risks and uncertainties might include questions and unknowns relating to construction feasibility, unanticipated cost increases, land rights, regulatory review, project timing, public opposition, and/or the potential for unanticipated adverse environmental and/or socio-economic impacts. Any relevant scientific uncertainties and/or data gaps should also be discussed (including the appropriate citations). Proposed measures to mitigate risks should be discussed. For proposals that involve only planning (no construction), this section should discuss how the foregoing risks and uncertainties would be addressed in the planning process.

In FY 2020, the Council implemented an updated BAS review process for 2020 FPL 3a and 2021 FPL 3b ([BAS Review Fact Sheet](#)). A diverse group of expert reviewers was solicited from within the five Gulf states and across the country to review 2020 FPL 3a and 2021 3b proposals. Each proposal was reviewed by three (3) reviewers: In general, one from the Gulf State most directly linked to the proposal; one from the Gulf of Mexico region, and one from outside of the Gulf of Mexico. Once external reviews were completed and summarized, an internal BAS review panel

was convened via webinar with representatives from each of the Council's eleven-member agencies present. During the panel, proposal sponsors provided a brief synopsis of their proposal to the panel, a summary of comments made in external reviews, and discussed their proposed response to the external reviews. Council staff then solicited feedback from the panel on the proposal sponsor's presentation of comments and responses to those comments, and any additional BAS concerns. Council staff also solicited feedback on any existing or future synergies with other Gulf restoration activities. The internal science review panel's collaborative review of all proposals offered increased opportunity to identify project interactions, synergies, benefits, and risks. This assisted the Council in selecting projects that will maximize benefits and support a holistic approach to Gulf restoration.

2. Environmental Compliance

As a federal entity, the Council must comply with all applicable federal environmental laws and other requirements (such as Executive Orders) when approving funding under the Council-Selected Restoration Component. The environmental laws that apply to a proposal are a function of the specific activities being proposed, and their possible direct and indirect influence on the environment, including the National Environmental Policy Act, Endangered Species Act, Magnuson-Stevens Fishery Conservation and Management Act, National Historic Preservation Act, and the Fish and Wildlife Coordination Act. Other environmental laws and requirements may apply at the award or construction stage of a project or program. The Council does not disburse Spill Impact Component funding for activities in approved SEPs until it has confirmed that all applicable laws have been addressed.

I. Summary of Plans to Improve Performance

In its 2016 and 2022 Comprehensive Plan Updates, the Council has committed to delivering results, measuring impacts, and implementing/improving adaptive management. Ongoing coordination around science and monitoring has already reaped tangible benefits such as: alignment of overlapping tasks across entities, shared work products, and plans for future leveraging of shared resources. The Council is also exploring opportunities to create consistency and collaborate with NRDA efforts where appropriate. For example, the intersection between the Council Monitoring and Assessment Work Group (CMAWG) efforts with the NRDA Cross-Technical Implementation Group, and Monitoring and Adaptive Management Workgroup may yield important programmatic and science efficiencies.

Further, Programmatic staff of the RESTORE Council are engaged throughout the award period and provide the following:

- Review performance outcome reports;
- Assist Grant Specialists in evaluating milestone reporting in financial and performance progress reports;
- Hold informal progress check-in conversation or meetings;
- Coordinate with ERM Specialist and Grant Specialists in:
 - identifying projects for monitoring and
 - conducting reviews;
- Conduct field site visits as needed or as opportunities arise; and

- Provide technical assistance to recipients.

For the RESTORE Council, the Planning Framework represents another step toward meeting the commitments of improved, transparent, and collaborative planning and decision-making to achieve the vision of the 2016 Comprehensive Plan Update for “A healthy and productive Gulf ecosystem achieved through collaboration on strategic restoration projects and programs.” The priority approaches and associated techniques discussed in this document and their application within certain geographic areas are intended to provide the public and potential funding partners with a better understanding of the context under which projects will be developed as part of FPL 3. The Council views the Planning Framework as a “living document” that will support the Council’s continued efforts to build upon prior restoration investments during the project or program selection process.

Another element of the Council’s commitment to measuring and ensuring success is the application of adaptive management strategies (Figure 11). The purpose is to support meeting the Comprehensive Plan goals and objectives, both for individual activities as well as programmatically across watersheds or other geographically defined regions. By considering new information gained from monitoring and scientific advancements in its decision-making processes, the Council intends to fulfill its commitment to utilize adaptive management processes to enhance the benefits of its work.



Figure 11. The Council’s use of programmatic documents and processes and cyclical process for developing and approving Funded Priorities Lists allows for adaptive learning. In the Comprehensive Plan, members formulate and refine awareness of issues. Then, through collaboration, members frame options for addressing the issues. Planning is conducted to determine the priority actions that will be funded. From there, the actions are implemented and monitored to determine how the ecosystem responded. The cycle repeats, incorporating learned information into awareness for future decision-making.

At the programmatic scale, the Council’s structure and cyclical process for developing and approving FPLs allows for an adaptive approach to its Council-Selected Restoration Component funding decisions. For watersheds or other geographically defined areas, the Council utilizes its programmatic documents and processes to generally follow an adaptive process that may best support realization of the Council’s vision for the Gulf Coast region (Figure 11).

At the level of individual activities (both projects and programs), Council members set quantitative targets for each of their Comprehensive Plan objectives and describe any adaptive management strategies they plan to implement to ensure objectives are met. As set out in the activity’s ODP, monitoring data are collected and used to determine whether projects are meeting, or are expected to meet, their targeted objectives. Monitoring data may also be used to signal the need for any corrective actions that may enhance performance, as feasible. Funding recipients also report on how the results of data collection may help to resolve critical uncertainties influencing restoration and management decisions, informing and improving the success of efforts beyond the scope of the activity.

To support adaptive improvements through this process, the Council has also made progress on a related commitment made in the 2016 Comprehensive Plan Update: to continue to work toward utilizing science-based restoration targets for the Gulf ecosystem. Quantitative targets are set for individual activities. At larger geographic scales, the Council has broadly identified the goals and objectives that could be advanced for different watersheds and geographic regions, based on key environmental stressors described for each area, and the priority restoration techniques that would best support success. This was first laid out in the 2019 Planning Framework, which supported planning and collaboration undertaken to develop 2020-21 FPL 3.

As FPL-funded activities are implemented and monitored, periodic updates to the Comprehensive Plan provide the opportunity to increase awareness of lessons learned from those activities as the Council prepares for its next cycle of funding. Comprehensive Plan updates allow the Council to review and be responsive to findings from its work and other newly emerging science, as well as information on technological advancements and changed environmental or socioeconomic conditions (e.g., impacts from hurricanes, the COVID-19 pandemic, etc.). For example, the 2016 Comprehensive Plan Update incorporated such new information to refine and update the Council’s strategies and commitments for how it would make decisions and implement restoration activities. The commitments described in the 2016 Comprehensive Plan Update led the Council to develop and fund the [2017 CPS FPL](#) that provided the funding to meet those commitments, particularly as they relate to collaborative decision-making.

These and other actions will continue to allow the Council to improve ecosystem restoration and protection outcome and impact measurement and reporting, and assist in the development of local and regional ecosystem models. This work will also help the Council utilize lessons learned to identify and refine priority restoration needs and critical uncertainties related to Gulf restoration and inform adaptive Council decision-making processes related to these investments over time.

J. Summary of Procedures Management Designed and Followed to Provide Reasonable Assurance that Performance Information is Reliable and Relevant

Over its lifetime, the Council will invest over \$3B in Gulf Coast ecosystem and economic restoration activities. These investments will not only advance the Council’s vision of a healthy and productive Gulf ecosystem, but also result in diverse scientific and economic data observations that will be used to demonstrate the benefits of Council investments. The Council recognizes the importance of comprehensive planning for the collection and compilation of data that can be compared across projects. Comparable data enables reporting at multiple scales, including project- and program-specific scales, as well as potential future larger-scale assessments across the Gulf Coast region. Understanding outcomes and impacts will further help to achieve tangible results and ensure that funds are invested in a meaningful way.

1. Measuring and Ensuring Success

In FY 2021, with the assistance of the CMAWG, Council staff completed the process of updating the [Council’s Observational Data Plan Guidance](#). To facilitate consistent data collection and management, RESTORE Council projects/programs are required to develop an Observational Data Plan (ODP) as part of the Council’s financial award process. ODPs are a tool developed for projects and programs administered by the RESTORE Council, and ensure that an activity’s observational data (e.g., monitoring data) is collected and management in such a way that it can be used to:

- Assess if the project was constructed as designed;
- Evaluate if the project has achieved, or is on track to achieve, its specific goals and objectives;
- Understand why the project has, or has not, performed as anticipated;
- Inform potential adaptive management actions to enhance performance;
- Improve future projects; and
- Conduct further analyses.

As described in the ODP Guidelines, an ODP should describe how progress will be tracked for each of the selected Council Comprehensive Plan goals and objectives. Using an example project, Figure 12 illustrates how selected objectives would be supported by collecting appropriate observational data (metrics and parameters) that track the project or program benefits. ODPs also help ensure that data will be made accessible to the Council and the public.

The Council continues to improve its use of ecosystem science, monitoring, and data management to report on the overall success of restoration. As described in the [CMAWG Annual Workplans](#), the Council uses the CMAWG to serve as a forum for the Council to collectively address monitoring and adaptive management topics relevant to multiple Council member agencies, including encouraging compatibility of monitoring and data management procedures used by all members.

To help assess the success of Council-funded activities, each project or program must include an Observational Data Plan (ODP) that contains information on how monitoring data will be collected, managed, and made publicly available. In 2021, with the assistance of the CMAWG, the Council updated the [Council’s ODP Guidelines](#) to identify consistent metrics and parameters of success, appropriate monitoring protocols, and further define common standards for Council data collection and management. For each type of activity the Council may fund, the updated ODP

Guidelines provide recommendations on appropriate metrics and parameters to track success. Recommendations are grouped by each of the Council’s Comprehensive Plan objectives, showing which objectives each parameter may help track. Through these recommendations, selected metrics and parameters can be used to evaluate how funded activities are meeting the Comprehensive Plan goals and objectives and to track annual performance.

Taking advantage of opportunities to build programmatic and science efficiencies, the ODP Guidelines update was collaboratively developed to foster consistency in data collection and management across Gulfwide monitoring efforts. Recommendations were developed in coordination with Gulf restoration funding partners, including the Natural Resources Damage Assessment (NRDA) trustees and the National Fish and Wildlife Foundation (NFWF), and build off of analyses from the 2015 Initial FPL funded CMAP. By fostering comparability and compatibility among robust datasets, this work will enable broader assessments of outcomes, support improvements to ecosystem models, and help address the uncertainties related to restoration, which in turn will inform adaptive management and Council decision-making related to investments.

As shown in Figure 12, the ODP Guidelines use the [2019 Planning Framework](#) priority approaches and techniques to organize recommendations for metrics and parameters and to demonstrate how they will be employed to support Comprehensive Plan goals and objectives of a funded activity. Utilizing this organization, the Council anticipates that the benefits of its investments will be able to be reported over time, not only at the scale of individual activities but also for particular approaches, techniques, and watersheds.



Figure 12: Using an example project, this figure illustrates how selected objectives would be supported by collecting appropriate observational data. In the figure, restoration approaches and techniques are aligned on rows with the objectives they are employed to support, and with metrics for tracking benefits to those objectives. Each metric row aligns with one or more parameters for which data will be collected to enable assessment and reporting

By setting up this kind of logical framework that people can see visually depicted here, the Council has made it easier to conduct informative monitoring of its awards and has set up options for telling a broader story with that data.

Most importantly, metrics must be able to support all of the goals and objectives a project has identified. If a project claims that its objective is to restore habitat, then it has to have some way of tracking the restoration of that habitat. There are of course case-by-case exceptions based on what is feasible for particular projects. Especially with SEP projects, where the members are given more discretion over how funds are to be used, we consider factors that may limit the ability or the need to conduct detailed monitoring.

2. Data collection and delivery

In August 2020, the Council Data Governance board conducted an initial assessment of the Council's data practices. The assessment was in accordance with the Federal Government Data Maturity Model. This model was used to rate the Council's data practices in six key areas. These areas are rated on a scale of 1-5 based on progress toward key goals in each area. The results of this assessment provide an indication of areas for potential improvement and will be used to inform the continued development of the Council's data strategies and initiatives.

Data collected for Council-funded activities can only be useful for reporting and evaluation if users are able to find the data, assess its utility, and understand how it was generated. To address the need to house scientific programmatic data, the Council deployed the Program Information Platform for Ecosystem Restoration (PIPER) in FY 2020, developed in partnership with the United States Geological Survey. PIPER will support the Council staff with the review of project/program proposals and applications, and track their continued progress toward meeting project/program goals and objectives. Further, to enhance current and future use of data, Council staff and partners developed the Council [Metadata Records Library and Information Network \(MERLIN\)](#) in 2018. MERLIN is an online metadata records tool developed in partnership with the US Geological Survey and NOAA's National Centers for Environmental Information. MERLIN houses metadata records that describe information about data. The development of this tool supports the Council's 2018 approval of the use of the ISO 19115 metadata standard for all Council funded projects to promote consistency in the data collection for Council-funded activities.

The [RESTORE Council Grants Management System Portal](#) went live on October 7, 2021. It is not an application in itself, but rather is a landing page with a series of links and an overview of guidance on grants processes. The Council utilizes a two system "unified solution" to Grants Management. The two components of this unified solution are (1) GrantSolutions and (2) PIPER. These two systems are used in tandem for grant and interagency agreement applications, and to perform grant or agreement administrative tasks. The portal page was added to streamline recipient access to guidance and links related to the dual system for grants management. Because this portal does not collect or house records, it does not relate to the Council's Records Management program.

Metadata Records Library and Information Network (MERLIN) is the RESTORE Council's online metadata records application. MERLIN was launched on March 28, 2019. MERLIN was developed to help award recipients to prepare and submit International Organization for Standardization (ISO) 19115 metadata records that describe observational data collected as part of RESTORE Council funded activities. The RESTORE Council approved the adoption of the ISO 19115 metadata standard (and the associated series of standards) for Council-funded activities in 2017. The adoption of the ISO standard supports consistency in documenting ecosystem data collected on Council-funded projects, allows for the development of MERLIN to support Council

member agencies and their staff, and supports the discoverability of ecosystem data across Council agencies. MERLIN is a tool that facilitates the publication of records that are in a standardized, machine-readable data format, which can be harvested for inclusion in the Data.gov catalog.

The Council's Records Management Program identifies both the MERLIN metadata records and the MERLIN software as agency records and provides NARA-approved disposition schedules for each within the agency's file plans. Copies of published MERLIN metadata records are uploaded to PIPER and become part of an award file, to be retained until they are disposed of per General Record Schedule (GRS) 1.2. Published MERLIN metadata records are transferred to Data.gov. The MERLIN software is to be retained until its metadata records have all been published and it is no longer needed, after which it will be disposed of per GRS 3.1/012.

K. Risks to the Agency's Achievement of its Goals and Objectives

The Council is taking preemptive and proactive actions to identify and mitigate risks, to the degree practicable, to ensure the goals and objectives of the RESTORE Act and Comprehensive Plan will be achieved. Procedural policies that enhance coordination among Council members and with other *Deepwater Horizon* funding streams will reduce duplicative funding and enable leveraging of investments across programs. Tracking of performance through metrics and regular communication will bring to light performance challenges, enabling mitigation strategies to be employed. Further, the CMAWG and Council programmatic staff will review metrics and provide recommendations to adaptively manage projects and programs as new insights are garnered from results of ecosystem restoration efforts. However, there are still unforeseen events, both natural (e.g., hurricanes) and man-made which could impact the successful completion of some projects funded by either the Council-Selected Restoration or Spill Impact components that are beyond the ability of the Council to control.

ANALYSIS OF THE FINANCIAL STATEMENTS

The Council is funded in its entirety by the RESTORE Trust Fund and serves as an expenditure fund for the Trust Fund. It does not receive appropriated funds, and all funding is Category B mandatory funding. The Council's financial statements reflect the amount of funds available to and used by the Council. Table 7 below shows the current status of the trust fund components that are managed by the Council: The Council-Selected Restoration Component, and the Oil Spill Impact Component. The Council-Selected Administrative Funds and Council-Selected Program Expense Funds are subcategories of the Council-Selected Restoration Funds and are used by the Council to carry out its operations. The apportionments received by the Council are used to develop programs, carry out operations, and fund projects.

The Department of the Treasury issued an Interim Final Rule regarding the investment and use of amounts deposited in the Gulf Coast Restoration Trust Fund. Upon issuance of this Rule, the Council was able to request apportionments for the Council-Selected Restoration Component Funds. The Spill Impact Interim Final Rule published on August 22, 2014, made available an amount of funds less than or equal to the statutory minimum allocation (5% of funds available under the Spill Impact Component) that would be available to a Gulf Coast State or eligible entity for a SEP that funds planning activities only. On December 15, 2015, the Council published the RESTORE Act Spill Impact Component Allocation Final Rule which became effective on April 4, 2016, when the United States Court for the Eastern District of Louisiana entered the Consent Decree. This Rule established the formula for the allocation of Spill Impact Component funds to the States making these funds available for apportionment.

Table 7 shows the Council's trust fund apportionments received in fiscal years 2018 - 2022. Apportionment is an Office of Management and Budget-approved plan on how to spend resources provided by a mandatory appropriation, an annual or supplemental appropriation act, or a continuing resolution as well as other sources of funding such as a Trust Fund. An apportionment contains the amounts available for obligation and expenditure. It also specifies and limits what obligations can be done and what expenditures can be made during specified timeframes, for programs, projects, and activities, or any combination of these.

Table 7: Trust Fund Apportionments Received Summary

Trust Fund Balance (After Sequestration)	Council Selected Administrative Funds (6011)	Council Selected Projects and Programs Funds (6012)	TOTAL COMPREHENSIVE PLAN	SPILL IMPACT (6013)
TRUST FUND DEPOSITS	\$24,704,504	\$798,778,950	\$823,483,454	\$778,686,577
Apportionment FY13 -FY18	6,398,400	202,321,137	208,719,537	99,500,001
Apportionment FY19	1,445,181	10,034,211	11,479,392	94,310,000
Apportionment FY20	1,109,447	34,277,021	35,386,468	185,726,644
Apportionment FY21	1,734,224	146,361,378	148,095,602	73,623,810
Apportionment FY22	1,081,530	6,505,857	7,587,387	274,396,619
Total Apportioned	11,768,782	399,499,604	411,268,386	727,557,074
Balance Available in Trust Fund	\$12,935,722	\$399,279,346	\$412,215,068	\$51,129,503

In fiscal year 2022, \$281.9 million in new apportionment funding was approved. Of this amount, \$7.587 million was used in support of Council Selected Administrative and Program Expenses, and \$274.3 million was used to fund projects included in State Expenditure Plans. Alabama received \$26.3 million; Florida received \$20.2 million; Louisiana received \$163.6 million; Mississippi received \$64.0 million; and Texas received \$0.2 million.

Five-Year Operational Costs Summary

To best serve the communities of the Gulf Coast region, the Council strives to implement the Comprehensive Plan and accomplish the requirements of the RESTORE Act in an effective and efficient manner, at the minimum cost possible in order to maximize the funds available for restoration projects and programs. The Council has managed its fiscal resources through a strategy of incremental growth corresponding to the development of the Council-Selected Restoration Component and Spill Impact Component programs.

Table 8 identifies each fiscal year’s new apportionment for operations, recoveries from prior year obligations, current year and total revenue, funded obligations incurred, the total cost of operations, and carryforward from the prior and current year. Council approval is required for use of carryforward funds if an expense exceeds a certain threshold but has not been included in the approved annual operating budget. In FY 2022, \$1,737,290 in carryforward funds were used to fund interagency agreements for the annual financial audit, procurement, accounting, budget and payroll services, translation services, and GrantSolutions dashboards. In addition, carry-forward funds in the amount of \$161,710 remaining from the \$1.2 million reserved for the Unified Solution (GrantSolutions and PIPER) to replace the Council’s previous electronic grants management system (the Restoration Assistance and Awards Management System) were carried into fiscal year 2022.

In fiscal year 2023 carryforward is planned to be used for Axiom, Admin contract support, and Piper maintenance. Excess fiscal year 2022 carry- forward funds will be applied to fiscal year 2023 operational requirements in lieu of requesting new funding from the Trust Fund.

Table 8: 5 Year Revenue and Operational Cost History (in millions) *represent the first 6 years

Council Operational Cost History	Carry-forward from PY	New apportionment	Recoveries from PY obligations	Current year trust fund revenue	Total revenue	Funded obligations incurred	Total Cost of Operations	Carry-forward
FY16 -18*	\$4.24	\$15.68	\$0.39	\$20.31	\$20.49	\$14.39	\$14.57	\$5.92
FY19	\$2.60	\$5.79	\$0.01	\$8.41	\$8.43	\$6.62	\$6.78	\$2.23
FY20	\$2.23	\$6.38	\$0.33	\$8.94	\$8.95	\$7.95	\$6.99	\$2.23
FY21	\$2.23	\$7.64	\$0.02	\$9.89	\$8.73	\$7.14	\$7.71	\$1.74
FY22	\$1.74	\$7.55	\$0.08	\$9.36	\$9.33	\$5.94	\$5.94	\$3.81

Five Year Operational Cost Trends

Table 9: Council’s operating expenses (obligations) incurred for fiscal year 2018 – 2022 by cost category

Fiscal Year	Salaries and Benefits	Contract and IAAs...	Travel	Equipment/ Grant System	Supplies, Printing and Misc	Rent, Communications Utilities
2018	\$2.998	\$2.184	\$0.210	\$0.022	\$0.028	\$0.006
2019	\$3.513	\$2.783	\$0.280	\$0.019	\$0.015	\$0.011
2020	\$4.188	\$3.415	\$0.119	\$0.204	\$0.007	\$0.012
2021	\$4.049	\$2.866	\$0.025	\$0.131	\$0.006	\$0.061
2022	\$4.277	\$3.044	\$0.082	\$0.190	\$0.024	\$0.058

Operations costs for the Council have consistently increased each year with three primary cost drivers, salaries and benefits costs, travel, and contracts, and agreements for services, including costs associated with the automated grant system. However, the Council follows an incremental approach to financial management and requests funds for only immediate operational needs.

The Council’s increases staff commensurate with the maturation of operations. For FY22, the number of full-time equivalents (FTE), and Council staff positions increased to 23 FTE. Higher operating expenses in fiscal year 2022 were the result of a 6% increase in salaries and benefits. Travel significantly increased by 228% due to travel restrictions being lifted, for staff to travel in the aftermath of the Coronavirus epidemic and mandatory travel restrictions for the health and safety of the staff.

Contracts and IAA expenses increased by 6% to \$3.044M in fiscal year 2022, largely due to increased personnel and contractor support costs and the transition and implementation of GrantSolutions and grant program helpdesk support. Other contractual increases included the biannually funded Senior Environmental Employment Program (SEE) support agreement, and a system upgrade and migration for Web-Based Time and Attendance (WebTA). In FY 2022, Expenses were slightly higher (2%) for contracted services associated with administrative, facilities and information technology. The substantial increase in expenses for IT, printing and shipping equipment and supplies due to Council remotely working from home. The Council’s equipment costs substantially increase in fiscal year 2022 is primarily attributable.

Administrative Expenses

The RESTORE Act specifies that of the Council-Selected Restoration Component amounts received by the Council, not more than 3% of the funds may be used for administrative expenses, including staff. This is further detailed in the Treasury regulation implementing the Act at 31 CFR §34.204(b), “Limitations on administrative costs and administrative expenses” (as amended September 28, 2016), which provides that “Of the amounts received by the Council under the Comprehensive Plan [Council-Selected Restoration] Component, not more than three percent may be used for administrative expenses. The three percent limit is applied to the amounts it receives under the Comprehensive Plan [Council-Selected Restoration] Component before the termination

of the Trust Fund. Amounts used for administrative expenses may not at any time exceed three percent of the total of the amounts received by the Council and the amounts in the Trust Fund that are allocated to, but not yet received by the Council under § 34.103.”

The Council worked with OMB to segregate administrative expense funds through the apportionment process. The Treasury regulation implementing the Act at 34 CFR § 34.2 provides the definition of administrative expenses that guides the Council in properly classifying certain expenses as administrative and the remaining categories of expenses as programmatic.

The Council oversees projects and programs during the post-award period. Since the Council will cease operations upon the expenditure of all funds available from the Trust Fund, a long-term forecast for its administrative and operational expenses is developed based on the projected closeout date of all grants. Based on the Consent Decree payment schedule and the projected closeout timeframe for grants awarded, Council operations have been projected through 2042 to ensure that operational costs are fiscally prudent and well managed throughout the life of the program. This analysis projects that the cumulative administrative expense will be approximately \$49.2 million which is less than the \$49.4 million that will be available for such expenses from the aggregate current and future deposits into the Trust Fund (not including accrued interest).

Table 10 shows the funds deposited as of September 30, 2022, for the Council-Selected Restoration component, and the amount of funds available for administrative expenses. The amount apportioned for administrative expenses is well below the amount of administrative funds available in the Trust Fund and is equal to 3% of the total funds apportioned for the Council-Selected Restoration Component. Of the \$828.7 million, including interest, deposited into the Trust Fund for the Comprehensive Plan component, \$823.5 million was made available. Due to sequestration, \$5.1 million was withheld in fiscal year 2022 but was included in the current deposit amount. Of the \$24.7 million available for administrative expenses, \$12.9 million remains in the trust fund. Overall, 49% of the available administrative funds have been apportioned which equates to 1.5% of the total available trust funds.

Table 10: Three Percent Analysis

STATUS OF 3% ADMINISTRATIVE EXPENSE FUNDS (as of 09/30/2022)	
Trust Funds-Comprehensive Plan	
Amount Available	\$828,672,420
Minus Sequestration for 2022	\$5,188,966
Total Amount Available	\$823,483,454
Administrative Expense Funds Available (Total Amount Available x 3%)	\$24,704,504
Minus Total Administrative Funds Apportioned through 2022	\$11,768,782
Balance of Administrative Funds Remaining in the Trust Fund	\$12,935,722

Projects and Programs

The Louisiana and Mississippi SEPs were approved in fiscal year 2017, followed by approval of the Florida SEP in fiscal year 2018, and the Texas and Alabama SEPs in fiscal year 2019. Although

SEPs were approved, the projects included in the Plans must be fully developed and planning and environmental compliance completed before funding can be awarded.

Each State has discretion as to which projects are developed and for which funding is requested and when they choose to do so. In fiscal year 2022, a total of \$85.19M was provided in grants through the Spill Impact Component during FY 2022 through (\$6.08M) in amendments to PY awards, six awards to Alabama (\$30.86M), eight awards to the Florida Consortium (\$24.57M), and one award to Texas in the amount of \$23.68M.

Under the Council-selected Restoration Component, a total of \$271M in projects and programs have been funded through FY 2022. During the past year, all activity was related to the 2020 FPL 3a, with \$10.15M being awarded to Alabama to support Perdido River Land Acquisition and Habitat Enhancement, and \$57.81M being awarded through projects submitted through the 2021 FPL 3b. The seven projects funded through the 2021 FPL 3b include \$29.8 M to the state of Florida through four projects which support strategic land acquisition, water quality improvement, hydrological restoration, and the Florida Resiliency Program; Texas received \$24.3M for their land acquisition program; and the Department of Interior was awarded two IAA to support development of ecological flow decision support and tidal flat restoration. Table 11 below identifies the project and program funds awarded annually.

Table 11: Projects and Programs Funds Awarded (dollars in millions)

Projects And Programs	2016	2017	2018	2019	2020	2021	2022	Total to Date
FPL1	\$7.71	\$81.65	\$34.26	\$32.49	\$7.44	\$6.77	0	\$170.32
FPL2	0	0	18.73	2.1	0	0	0	20.83
FPL 3a	0	0	0	0	0	0	10.15	10.15
FPL 3b	0	0	0	0	0	11.97	57.81	69.78
SEP	5.49	19.76	35.6	16.56	136.96	93.22	85.19	392.79
TOTALS	\$13.20	\$101.41	\$88.59	\$51.15	\$144.40	\$111.96	\$153.15	\$663.87

Costs Incurred

The Council's incurred costs (costs incurred as expenses are realized, and contracts and agreements liquidated) mainly consist of operational costs such as salaries and benefits, administrative services and expenses, travel, and automated services in support of program and grant activities. Approval of the initial Funded Priority List (FPL) and State Expenditure Plans (SEPs) took place in fiscal year 2016 and shortly thereafter the first four grant and interagency agreement (IAA) awards were issued. Administrative and programmatic operational expenditures are consistent with annual obligations. Because restoration projects are so diversified and complex, the performance of these awards has taken longer causing expenditures to occur at a slower rate, however, as Table 12 shows, the expenditure rate is steadily increasing. See also the Statement of Net Costs for fiscal years 2022 and 2021 cost incurred.

Table 12: Total Council Incurred (Actual) Costs to Date (in dollars) *represent the first 6 years

Year(s)	Administrative Expense	Programmatic Operating Expense	Council-Selected Projects and Programs	Spill Impact Projects and Programs	TOTAL COST
2013-2018*	\$6,701,516	\$13,908,014	\$24,948,213	\$6,026,796	\$51,584,539
2019	1,451,259	5,366,030	31,822,483	14,067,879	52,707,651
2020	1,693,186	5,334,158	38,739,098	33,316,966	79,083,408
2021	1,486,794	6,257,674	33,303,982	76,937,067	117,985,517
2022	1,070,479	3,713,082	12,561,389	6,068,581	23,413,531
TOTALS	\$12,403,234	\$34,578,958	\$141,375,165	\$136,417,289	\$324,774,646

The Agency’s fiscal year 2022 incurred costs increased primarily due to promotions, new hires, the projected pay raise, and more travel as a result of COVID restrictions being reduced. These costs were also affected by increases in the Memorandums of Understanding with the Office of the Inspector General, the Environmental Protection Agency, the Administrative Resource Center, contractor support, and the Senior Environmental Employment Program. In addition, costs have been impacted by projects being awarded in FPL 3a, FPL 3b, and the State Expenditure Plans programs.

Incurred costs in FPL 3a remained the same in fiscal year 2022 as it was in fiscal year 2021. Costs to manage FPL 3b increased significantly as a result of seven grants being awarded in FY 2022 and only one was awarded in FY 2021.

Variance Analyses

Below are the Council variance analyses of its financial statements for fiscal year 2022 and fiscal year 2021, respectively. The analyses measure the Council's financial and operational data between fiscal year 2022 and fiscal year 2021. The analyses provide key data on the Council's expenses, revenue, and grants.

Assets

Assets for the Council for fiscal years 2022 and 2021, respectively, are shown in Table 12 below. As of September 30, 2022, Council total assets were \$920,484,897 an increase of \$219,002,723 or 31.21% over fiscal year 2021.

Table 13: Council Assets

Council Assets	FY2022	FY2021	Increase/ (Decrease)	% Change
Fund Balance with Treasury	\$268,892,757	\$234,171,849	\$ 34,720,908	14.83%
Expenditure Transfers Receivable	\$651,135,836	\$466,793,221	\$184,342,615	39.49%
Property, Equipment, and Software Net	\$456,304	\$517,104	-\$60,800	-11.75%
Assets	\$920,484,897	\$701,482,174	\$219,002,723	31.21%

The Fund balance with the Treasury realized a 14.83 % increase equal to \$34,720,908. The increase is consistent with the change in accrual/cash forecasting methodology. An increasing expenditure rate associated with projects either nearing completion or projects entering into their construction phase impacts the amount of cash drawn from the trust fund. Cash drawdowns also anticipate the amount projected to be paid in the upcoming quarter and are planned to maintain a cushion of funds for each program to help prevent emergency drawdowns.

The Expenditure Transfers Receivable saw an increase of 39.49%, equal to \$184,342,615. Expenditure Transfers Receivable is the Council’s receivable from the Trust Fund and is increased when an apportionment from the Trust Fund is approved by OMB to provide the Council budget authority for operations, projects, and programs under the Council-Selected and Spill Impact Components. Funds are apportioned for each FPL in its entirety upon approval by the Council, while the amount of funds apportioned for SEPs is based on recipient-provided estimates of the amount and timing of awards for projects in their SEP.

The balance in the Receivable denotes the maximum amount of cash the Council may draw from the Trust Fund at any time based on the net difference between apportioned amounts and cash drawdowns from the Trust Fund. Although the Council could draw funds equaling the total amount of each appropriation, the Council has chosen to only draw funds in the amount necessary to liquidate obligations and expenses expected to come due each quarter. This decision was made in order to maximize the length of time funds could remain in the Trust Fund to earn interest since 50% of such interest earned is assigned to the Council.

The increase in the Receivable is a result of the approval of FPL 3b and the apportionment of funding for planned SEP grant applications/awards by Alabama and Florida as well as the extended period of performance necessary to execute restoration projects.

Property, Equipment, and Software saw a decrease of -11.75%, equal to -\$60,800 which is the net result of decommissioning the RAAMS grant management software.

Liabilities

Liabilities for the Council for fiscal year 2022 and fiscal year 2021, respectively, are shown in Table 14. As of September 30, 2022, the Council’s total liabilities were \$221,858,308 an increase of \$79,852,026 or 56.23% over fiscal year 2021.

Table 14: Total Liabilities

Council Liabilities	FY2022	FY 2021	Increase/ (Decrease)	% Change
Accounts Payable	\$400,236	\$901,641	\$(501,405)	-55.61%
Grants Payable	220,766,524	140,474,276	80,292,248	57.16%
Employer Contribution on Payroll Taxes Payable	64,284	56,320	7,964	14.14%
Other Liabilities	627,264	574,045	53,219	9.27%
Liabilities	\$221,858,308	\$142,006,282	\$79,852,026	56.23%

The Council’s Total Liabilities consists of outstanding invoices and accruals from both public and federal partners. The increase of \$79,852,026 is mainly an increase in the Council’s Grants Payable from several of its public and federal partners. The Council saw a significant decrease in accounts payable for several public and federal partner specifically the Department of Health and Human Services for grant management services, the United States Geological Survey for PIPER development and maintenance services, and NFC WEBTA migration.

The Council Employer Contribution and Other Liabilities reflects the Council’s unpaid contribution to selected payroll benefits such as the Federal Employee Retirement System, Federal Employee Health Benefits, Flexible Spending Account, Federal Insurance Contributions Act, and hospital insurance taxes.

The Total Liabilities increase in fiscal year 2022 is primarily attributable to an increase in the Grant Payables. The Council grant payables consist of outstanding invoices and accruals from both non-federal grant recipients and federal partners. Intragovernmental Grants Payable decreased due to a change in accrual methodology to be consistent with the policies of the Council’s federal partners. Grants payable to the Public reflect the “life to date” accrual methodology used for non-federal grants and is indicative of the fact that large restoration projects realize expenses later in the life cycle of performance

Statement of Changes in Net Position

Net Position for the Council for fiscal year 2022 and fiscal year 2021, respectively, are shown in Table 15. As of September 30, 2022, the Council’s Net Position was \$698,626,589 an increase of \$139,150,697 or 25%, from fiscal year 2021.

Table 15: Net Position

Net Position	FY 2022	FY 2021	Increase/Decrease	% Change
Net Position	\$698,626,589	\$559,475,892	\$139,150,697	25%

The Council Cumulative Results of Operations is the net difference between expenses and financing sources since the inception of Council activities, including apportionments (financing sources), reimbursed and non-reimbursed revenues, expenses and imputed costs of employee

benefits for life insurance and retirement. The increase in Net Position is due to the increase in financing sources, e.g., apportionments from the Trust Fund for the first two FPLs and SEP projects.

However, project development and application, review, and approval timelines coupled with long project completion or implementation timelines have resulted in large unobligated or unexpended balances and a lower net cost, thus generating a significant increase in Net Position. Since this was recorded on the proprietary accounts, it is shown as an off-setting increase and decrease in Budgetary Financing Sources and Non-Exchange Financing Sources.

Net Cost

Net Cost for the Council fiscal years 2022 and 2021, respectively, are shown in the table below.

As of September 30, 2022 the Council’s Net Cost was \$145,198,283, an increase of \$27,250,266 or 23%, from fiscal year 2021.

Table 16: Net Cost

Council Net Cost	FY 2022	FY 2021	Increase/ (Decrease)	% Change
Comprehensive Plan-Administrative Expense	\$1,362,085	\$1,486,794	-\$124,709	-8%
Comprehensive Plan-Program Expense	\$5,940,124	\$6,220,174	-\$280,050	-5%
Comprehensive Plan-Projects & Program (Grants)	\$54,361,529	\$33,303,982	\$21,057,547	63%
Spill Impact-State Expenditure Plan (Grants)	\$83,534,545	\$76,937,067	\$6,597,478	9%
Net Cost	\$145,198,283	\$117,948,017	\$27,250,266	23%

The table above presents the expenses incurred for the Comprehensive Plan Administrative, Programmatic, and Projects and Programs expenses, and Spill Impact Program expenses. Expenses are recorded as grants and IAAs are liquidated or accruals posted. Operating costs are flattening as the Council has reached maturation in its operations. The increases for the Comprehensive Plan-Projects and Programs and Spill Impact-State Expenditure Plan reflect that many FPL1 projects are well underway, and some are nearing completion and thus liquidating their obligations and recording expenses. As the dollar amount of obligations and the subsequent liquidation of these obligations continue to rise with the increasing number of SEP awards and the award of FPLs 3a and FPL3b, Net Costs will continue to increase.

As of September 30, 2022, there are three grants and one interagency agreement in “finally closed” status. The total amount billed for these projects is \$4.4M. In fiscal year 2022, net costs increased due to awarding \$79.1M in SEPs and \$67.9M in FPLs 3a and FPL 3b

Budgetary Resources Analysis

Budgetary Resources for the Council fiscal years 2022 and 2021, respectively are shown in the table below. As of September 30, 2022, the Council’s Budgetary Resources were \$430,250,038 an increase of \$123,729,619 or 40%, from fiscal year 2021.

The Council Budgetary Resources	FY2022	FY 2021	Increase/ Decrease	% Change
Unobligated Balance Brought Forward, Oct 1	\$306,520,926	\$203,735,582	\$102,785,344	50%
Recoveries of Prior Year Unpaid Obligations	\$294,944	\$1,770,358	-\$1,475,414	-83%
New Spending Authority (from offsetting collections, e.g., the Trust Fund)	\$284,234,133	221,830,420	\$62,403,713	28%
Total Budgetary Resources	\$591,050,003	\$427,336,360	\$163,713,643	38%
Obligations Incurred	\$160,799,965	\$120,815,941	\$39,984,024	33%
End of Year Status of Budgetary Resources	\$430,250,038	\$306,520,926	\$123,729,619	40%

Table 17: Budgetary Resources

The increase in budgetary resources is attributable to the Council’s apportionment for new spending authority for the Spill Impact Component for Alabama, Florida and Texas and FPL 3a and 3b. However, Obligations Incurred do reflect the fact that the amount of new grant awards is increasing significantly.

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

This section provides information on the Council’s adherence to the objectives of the Federal Managers’ Financial Integrity Act (FMFIA). FMFIA requires that CFO Act agencies establish controls to provide reasonable assurance that obligations and costs comply with applicable law; assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets. It requires the agency head to provide an assurance statement of the adequacy of management controls and conformance of financial systems with government standards. The Council has provided its annual assurance statement, signed by the Executive Director, on the following page.

COUNCIL'S FMFIA STATEMENT OF ASSURANCE

November 15, 2022

The Council is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA).

Accordingly, The Council conducted internal control reviews of agency program components to verify that all significant risks are identified, tested, evaluated, and mitigated timely and effectively. The Council has established internal control over its agreements, disbursements, and end user controls, and have identified no deficiencies or material weaknesses. The Council relies on the controls over accounting, procurement, and general computer operations that ARC has in place. The Council obtained the ARC 2022 Statement on Standards for Attestation Engagements (SSAE) Number 18, Attestation Standards; Clarification and Recodification-Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting report and reviewed it to assist in assessing the internal controls over the Council's financial reporting. After a thorough review of the results, the Council did not discover any significant issues or deviations in its financial reporting during fiscal year 2022.

The Council utilizes the services of the Department of Treasury Fiscal Services financial management system, Oracle Federal Financials. Annual examinations of their system indicate that the system complies with federal financial management systems requirements, standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger (USSGL) at the transaction level.

In fiscal year 2022, the Council continued to maintain its comprehensive Federal Information Security Modernization Act (FISMA) program for its information systems. This program uses the Risk Management Framework that implements National Institute of Standards and Technology (NIST) defined security controls and requirements for periodic audits. This has resulted in the Council's ability to manage organizational risk and maintain an effective information security program.

For fiscal year 2022, the Council provides an unqualified assurance that the objectives of Section 2 and Section 4 of FMFIA have been achieved. The Council is responsible for establishing and maintaining effective internal control over financial reporting and provides assurance that internal control over financial reporting was operating effectively and that there are no material weaknesses relating to internal controls over financial reporting. The Council has implemented a process of continuous improvement of the controls and documentation for its financial and grants management and continues to develop its risk management program to follow the requirements and deadlines of OMB Circular A-123.

/S/ Original signed

Mary S. Walker

Executive Director Gulf Coast Ecosystem Restoration Council

FORWARD LOOKING INFORMATION

In the 2015 Initial FPL, the Council organized its investments around ten watersheds/estuaries across the Gulf to concentrate and leverage available funds to address critical ecosystem needs in high-priority locations. In the 2016 Comprehensive Plan Update, the Council increased its commitment to transparent decision-making using a collaborative approach to approving its next set of projects. The 2017 Commitment and Planning Support FPL provided the funds to support meeting those commitments. Building on this concept, the Council released the 2018 Planning Framework to increase transparency and predictability for the public and potential funding partners regarding the Council's restoration priorities. The Planning Framework serves as a "bridge" between the Council's overarching goals and objectives identified in the Comprehensive Plan and the specific restoration projects and programs approved in future FPLs. It was through this collaborative process that the Council recognized that developing FPL 3 in two phases would enable the Council to fund projects requiring near-term attention and take advantage of important partnership opportunities to advance large-scale ecosystem restoration.

The first phase, the 2020 FPL 3a, was approved by the Council in February 2020. The second phase, the 2021 FPL 3b, was approved in April 2021.

SECTION II: FINANCIAL SECTION

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

November 15, 2022

I am pleased to present our financial statements for fiscal year 2022. This report demonstrates our commitment to fulfill our fiduciary responsibilities to our constituents in the Gulf Coast region and to the American public.

The audit report dated November 15, 2022, resulted in an unmodified (or “clean”) opinion.

In fiscal year 2022, the Council sustained an effective Information Assurance (IA) program as required by the Federal Information Security Modernization Act (FISMA). The Council's IA program uses the National Institute of Standards and Technology (NIST) Risk Management Framework (RMF); which is an effective methodology for managing IA risk to ensure FISMA compliance. The Council's implemented NIST RMF security controls and performed periodic testing to validate the selected controls effectiveness.

This action resulted in the Council having an effective Information Assurance (IA) program and indicates that the Council is managing IA risk to acceptable levels. Internal control has been and continues to be a major consideration in the development and continued refinement of the Council's policies and procedures and automated systems. Administrative, finance, accounting, grants and interagency agreement policies and procedures have been developed and documented and continue to be refined as staff gains experience. Post-award grants management and oversight procedures have been developed to mitigate the risk of improper payments and address risks identified in the enterprise-wide risk assessment while also gathering information that will enhance the Council's ability to forecast cash requirements and manage the awards to ensure positive outcomes.

These financial statements fairly present our financial position, net cost, changes in net position, and budgetary resources and were prepared in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB.

/S/ Original Signed
Vanessa C. Taylor
Chief Financial Officer

**Pages 63 - 68 have been moved to the front of this report prior to Section II:
For the Transmittal Letter to the Chairperson see pages 63-64, now E - F,
and
For the Independent Auditors' Report see pages 65-68, now I - L.**

**GULF COAST ECOSYSTEM RESTORATION COUNCIL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2022 AND 2021**

**GULF COAST ECOSYSTEM RESTORATION COUNCIL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2022 AND 2021**

TABLE OF CONTENTS

Balance Sheets	71
Statements of Net Cost	72
Statements of Changes in Net Position	72
Statements of Budgetary Resources	73
Notes to the Financial Statements	74

GULF COAST ECOSYSTEM RESTORATION COUNCIL
BALANCE SHEETS
AS OF SEPTEMBER 30, 2022 AND 2021
(in dollars)

	2022	2021
Assets:		
Intragovernmental		
Fund Balance with Treasury (Note 3)	\$268,892,757	\$234,171,849
Accounts Receivable (Note 4)	651,135,836	466,793,221
Total Intragovernmental	920,028,593	700,965,070
Property, Equipment, and Software, Net (Note 5)	456,304	517,104
Total Assets	\$920,484,897	\$701,482,174
Liabilities:		
Intragovernmental		
Other Liabilities (Note 6)	\$312,235	\$584,056
Liabilities For Advances and Prepayments (Note 6)	27,375	-
Grants Payable (Note 6)	17,639,336	11,286,899
Employer Contribution On Payroll Taxes Payable	55,770	48,634
Total Intragovernmental	18,034,716	11,919,589
With the Public		
Other Liabilities(Note 6)	\$88,001	\$ 317,585
Grants Payable (Note 6)	203,127,188	129,187,377
Employer Contribution on Payable Taxes Payable	8,514	7,686
Accrued Funded Payroll and Leave (Note 6)	599,889	574,045
Total Liabilities With the Public	203,823,592	130,086,693
Total Liabilities	\$221,858,308	\$ 142,006,282
Commitments and Contingencies		
Net Position:		
Cumulative Results of Operations - Funds from Dedicated Collections	698,626,589	559,475,892
Total Net Position	\$698,626,589	\$559,475,892
Total Liabilities and Net Position	\$920,484,897	\$ 701,482,174

GULF COAST ECOSYSTEM RESTORATION COUNCIL
STATEMENTS OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(in dollars)

	2022	2021
Program Costs:		
Council-Selected Restoration - Administrative Expenses:		
Gross Costs	\$ 1,362,085	\$ 1,486,794
Less: Earned Revenue	-	-
Net Council-Selected Restoration - Administration Expenses	\$ 1,362,085	\$ 1,486,794
Council-Selected Restoration- Programmatic Expense:		
Gross Costs	\$ 5,984,249	\$ 6,257,674
Less: Earned Revenue	(44,125)	(37,500)
Net Council-Selected Restoration Programmatic Expenses	\$ 5,940,124	\$ 6,220,174
Council-Selected Restoration Projects and Programs (grants)		
Gross Costs	\$54,361,529	\$ 33,303,982
Less: Earned Revenue	-	-
Net Council Selected Restoration Projects and Programs (grants)	54,361,529	33,303,982
Total Net Council-Selected Restoration Program and Grant Costs	\$ 60,301,653	\$ 39,524,156
Spill Impact - State Expenditure Plan (grants)		
Gross Costs	\$ 83,534,545	\$ 76,937,067
Less: Earned Revenue	-	-
Net Spill Impact Costs (grants)	\$ 83,534,545	\$ 76,937,067
Net Cost of Operations (Note 8)	\$ 145,198,283	\$ 117,948,017

GULF COAST ECOSYSTEM RESTORATION COUNCIL
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(in dollars)

	2022	2021
Cumulative Results of Operations:		
Beginning Balances	\$559,475,892	\$455,559,089
Adjustments		
Beginning Balances, as Adjusted	559,475,892	455,559,089
Budgetary Financing Sources:		
Transfers In/Out Without Reimbursement	\$284,162,595	\$221,689,412
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources	\$186,385	\$175,408
Total Financing Sources	284,348,980	221,864,820
Net Cost of Operations	(145,198,283)	(117,948,017)
Net Change	139,150,698	103,916,803
Cumulative Results of Operations	\$698,626,589	\$559,475,892
Net Position	\$698,626,589	\$559,475,892

GULF COAST ECOSYSTEM RESTORATION COUNCIL
STATEMENTS OF BUDGETARY RESOURCES
As of SEPTEMBER 30, 2022 and 2021
(in dollars)

	2022	2021
Budgetary Resources:		
Unobligated Balance From Prior Year Budget Authority, Net, (Discretionary and Mandatory)	\$306,815,907	\$205,506,447
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	284,234,095	221,830,420
Total Budgetary Resources	\$591,050,002	\$427,336,867
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total)	\$160,799,964	\$120,815,941
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	430,029,416	304,772,811
Unapportioned, Unexpired Accounts	220,622	1,748,115
Unexpired Unobligated Balance, End of Year	430,250,038	306,520,926
Unobligated Balance, End of Year (Total)	430,250,038	306,520,926
Total Budgetary Resources	\$591,050,002	\$427,336,867
Outlays, Net and Disbursements, Net:		
Outlays, Net, (Total)	(34,720,908)	(46,797,162)
Agency Outlays, Net	(34,720,908)	(46,797,162)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. REPORTING ENTITY

A. Reporting Entity

The Gulf Coast Ecosystem Restoration Council (Council) was established under the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) (title I, subtitle F of PL 112-141) and section 311 of the Federal Water Pollution Control Act (FWPCA) (33 U.S.C. 1321). The Council is comprised of governors from the five affected Gulf States (Alabama, Florida, Louisiana, Mississippi and Texas), the Secretaries from the U.S. Departments of the Interior, Commerce, Agriculture, and Homeland Security, as well as the Secretary of the Army and the Administrator of the U.S. Environmental Protection Agency.

The Council reporting entity is comprised of a General Fund and General Miscellaneous Receipts. The Council is a party to interagency transfers with the Gulf Coast Restoration Trust Fund (Trust Fund). The interagency transfers are processed through the Intra-Governmental Payment and Collection (IPAC) System.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

The financial statements have been prepared to report the financial position net costs, changes in net position and budgetary resources of the Council. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results. The Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the Council in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and the Council accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the Council's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is

incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

B. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the Council’s funds with Treasury in expenditure, receipt, and deposit fund accounts. Funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The Council does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand.

C. Accounts Receivable

An Accounts Receivable is established when an apportionment is approved by OMB and funds can be drawn from the Trust Fund. However, funds are left in the Trust Fund until needed for cash disbursements so that these monies can continue to be invested and earn interest.

D. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives.

The Council’s capitalization threshold for general property and equipment is \$50,000. For leasehold improvements and software, the capitalization threshold is \$50,000.

Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

Table 16: The useful life classifications for capitalized assets

Description	Useful Life (years)
Software	5
Equipment	5

E. Liabilities

Liabilities represent the amount of funds likely to be paid by the Council as a result of transactions or events that have already occurred.

The Council reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another Federal agency. Liabilities With the Public represents funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered

except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

F. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

G. Funds from Dedicated Collections

The RESTORE Act of 2012 established in the Treasury of the United States a trust fund known as the Gulf Coast Restoration Trust Fund, which consists of deposits equal to 80% of all administrative and civil penalties paid by responsible parties in connection with the explosion on and sinking of the mobile offshore drilling unit Deepwater Horizon.

Pursuant to P.L. 112-141 Sec 1601-1608, 60% of administrative and civil penalty deposits in the Gulf Coast Restoration Trust Fund (020X8625) and 50% of interest revenue collections from the amount in the Gulf Coast Restoration Trust Fund, available until expended, are transferred to the Gulf Coast Ecosystem Restoration Council.

H. Imputed Costs

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The Council received support from Council Members primarily through non-reimbursable details and support services. The Council recognized imputed costs and financing sources in fiscal years 2022 and 2021 to the extent directed by accounting standards.

NOTE 3. FUND BALANCE WITH TREASURY

STATUS OF FUND BALANCE WITH TREASURY		
	2022	2021
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$430,029,416	\$304,772,811
Unavailable	220,622	1,748,115
Unobligated Balance Not Yet Disbursed	(161,357,281)	(72,349,076)
Total	\$268,892,757	\$234,171,850

FUND BALANCE WITH TREASURY (CASH)		
ACCOUNT BALANCES		
	2022	2021
Fund Balances (General Fund):		
Comprehensive Plan – Administrative Cost	\$631,840	\$604,060
Comprehensive Plan – Program Cost		
Programmatic Expense	747,220	1,670,266
Projects and Programs (grants)	96,646,882	82,769,004
Spill Impact (grants)	170,866,815	149,128,519
Total	\$268,892,757	\$234,171,849

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

The available unobligated fund balances represent the current-period amount available for obligation or commitment. Since the Council has no-year funds, at the start of the next fiscal year, this amount, along with recoveries not yet apportioned will be reapportioned.

The unavailable unobligated fund balances represent the amount of appropriations which have been recovered from prior year obligations. These balances are available for reapportionment.

The obligated balance not yet disbursed includes **accounts payable**, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand.

NOTE 4. ACCOUNTS RECEIVABLE, NET

Accounts Receivable represents the balance of funds from the Trust Fund due to the Council from the apportionments approved by OMB.

ACCOUNTS RECEIVABLE		
	2022	2021
Intragovernmental	\$651,135,816	\$466,793,221
Accounts Receivable		
Other Than Intragovernmental	-	-
Accounts Receivable, Net	\$651,135,816	\$466,793,221

NOTE 5. GENERAL PROPERTY PLANT, AND EQUIPMENT, NET

Assets listed below were estimated to have a useful life of 5 year and were depreciated using the straight line method. The Council's capitalization threshold is \$50,000. There are no restrictions on the use or convertibility of general PP&E listed.

PROPERTY EQUIPMENT, AND SOFTWARE		
MAJOR CLASS	2022	2021
Internal-Use Software	\$304,000	\$304,000
Internal-Use Software In Development	273,904	273,904
Acquisition Cost	577,904	577,904
Accumulated Depreciation	\$121,600	60,800
Total	\$456,304	\$517,104

NOTE 6. OTHER LIABILITIES

OTHER LIABILITIES		
	2022	2021
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	55,770	48,634
Total Intragovernmental Other Liabilities	\$55,770	48,634
With the Public		
Employer Contributions and Payroll Taxes Payable	8,514	7,686
Accrued Funded Payroll and Leave	599,889	574,045
	608,403	581,731
Total with the Public Intergovernmental Other Liabilities		
Total Other Liabilities	\$664,173	\$630,365

NOTE 7. LEASES

The Council entered into an operating lease for 1,883 usable (2,399 rentable) square feet of office space with GSA in September 2014 in the Hale Boggs Federal Building/Courthouse in New Orleans.

The Council entered their eighth year of occupancy effective October 1, 2021. The Council may relinquish space upon four months' notice. Thus, the Council's financial obligation will be reduced to four months of rent.

NOTE 8. INTRAGOVERNMENTAL COSTS

Intragovernmental costs represent exchange transactions between the Council and other federal government entities and contrast with those with non-federal entities (the public). Such costs are summarized as follows:

INTRAGOVERNMENTAL COSTS		
	2022	2021
Intragovernmental Costs	\$21,557,826	\$23,827,819
Public Costs	123,640,457	94,120,199
Total Net Cost	\$145,198,283	\$117,948,018

NOTE 9. INTER-ENTITY COSTS

The Council received support totaling \$186,386 in fiscal year 2022 and \$175,408 in fiscal year 2021. The table that follows identifies the level of support provided by agency/organization.

INTER-ENTITY COSTS		
	2022	2021
Office of Personnel Management	\$186,385	\$175,408
Total	\$186,385	\$175,408

For the periods ended September 30, 2022, and 2021, Budget Resources Obligated for Undelivered Orders amounted to \$268,058,630 and \$252,548,870 respectively.

NOTE 10. UNDELIVERED ORDERS AT THE END OF THE PERIOD

UNDELIVERED ORDERS		
	2022	2021
Federal		
Paid Undelivered Orders	\$ 20	\$ -
Unpaid Undelivered Orders	24,491,232	39,216,179
Non-Federal		
Paid Undelivered Orders	-	-
Unpaid Undelivered Orders	\$243,567,378	\$213,332,691
Total Undelivered Orders	\$268,058,630	\$252,548,870

The Budget with the Actual amounts for the current year, FY 2022 will be available at a later date at [President's Budget | The White House](#).

NOTE 11. RECONCILIATION OF NET COST AND BUDGET OUTLAYS

The Council has reconciled its budgetary outlays to its net cost of operations.

RECONCILIATION OF NET COST TO NET OUTLAYS
BUDGET AND ACCRUAL RECONCILIATION
As of **SEPTEMBER 30, 2022**

	Intra governmental	Other than Intra Governmental	Total
Net Operating Cost (SNC):	\$21,557,826	\$123,640,457	\$145,198,283
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(60,800)	(60,800)
Property, plant, and equipment disposal & reevaluation	-	-	-
Increase/(decrease) in assets:			
Accounts receivable	184,342,615	-	184,342,615
(Increase)/decrease in liabilities:			
Accounts payable	(6,080,616)	229,584	(5,851,032)
Federal employee and veteran benefits payable		(828)	(828)
Other liabilities	(34,511)	(73,965,655)	(74,000,166)
Financing sources:			
Imputed cost	(186,385)		(186,385)
Total Components of Net Operating Cost Not Part of the Budget Outlays	\$178,041,103	\$(73,797,699)	\$104,243,404
Components of the Budget Outlays Not Part of Net Operating Cost			
Financing sources:			
Transfers out(in) without reimbursement	(284,162,595)		(284,162,595)
Total Components of the Budget Outlays Not Part of Net Operating Cost	(284,162,595)	-	(284,162,595)
Total Net Outlays (Calculated Total)	(84,563,666)	49,842,758	(34,720,908)
Related Amounts on the Statement of Budgetary Resources			
Outlays, net, (total) (SBR 4210)			(34,720,908)
Outlays, Net (SBR 4210)			(34,720,908)

OTHER INFORMATION (UNAUDITED)

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

The following tables show that there were no material weaknesses or significant deficiencies in fiscal year 2022. This information is consistent with the Council’s FMFIA Statement of Assurance.

Table 17 – Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<i>Total Material Weaknesses</i>	-	-	-	NA	-

Table 18 – Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA - § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	-	-	-	NA	NA	-
Effectiveness of Internal Control over Operations (FMFIA - § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	-	-	NA	NA	NA	-
Conformance with Financial Management System Requirements (FMFIA - § 4)						
Statement of Assurance	Conform					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Non-Conformances</i>	-	-	NA	NA	NA	-

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FMFIA)		
	Agency	Auditor
Federal Financial Management System Requirements	No lack of compliance noted	No lack of compliance noted
Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

REVENUE FOREGONE

The Council has no revenue forgone and does not collect taxes.

MANAGEMENT PERFORMANCE CHALLENGES

The Treasury Inspector General (IG) has oversight responsibility over the Council. The 2022 Management and Performance Challenges (OIG-CA-23-001) Report and the Council’s response are as follows:



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D. C. 20220

October 12, 2022

The Honorable Michael Regan
Administrator, Environmental Protection Agency Chairperson, Gulf Coast
Ecosystem Restoration Council 1200 Pennsylvania Ave, NW
Washington, DC 20004

Re: 2023 Management and Performance Challenges (OIG-CA-23-001)

Dear Chairperson Regan:

As required by the Reports Consolidation Act of 2000, I am providing you, as Chairperson for the Gulf Coast Ecosystem Restoration Council (Council), my office's annual perspective of the most serious management and performance challenges facing the Council. In assessing these challenges, we remain mindful that the Council is a relatively small entity with many responsibilities under the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). Since my prior year letter, organizations continue to accomplish their missions working remotely as a result of the Coronavirus 2019 Disease (COVID-19) pandemic. While the Council's operating environment may not have been adversely affected by the COVID-19 pandemic, the pandemic remains a significant consideration given its impacts on the numerous organizations with which the Council interacts to accomplish its work.

We removed the prior year challenge, "Loss of Key Leadership over Administration of Gulf Coast Restoration Activities," as the Council made notable achievements over the past two years to address the challenge. Specifically, the Council ensured a seamless transition by successfully deploying its succession plan. Subsequent to the retirement of two senior officials, Council filled the two vacant key leadership positions with the Executive Director in January 2021 and the Chief Financial Officer in February 2021.

Council selected individuals with relevant experience to help with the transition and to minimize the impact to its operations and the Gulf Coast restoration activities.

Accordingly, Council is fully staffed and there are no vacancies to fill as of this writing, so we are no longer reporting this as an ongoing challenge.

Going into fiscal year 2023, we continue to report the following two challenges from the prior year:

Federal Statutory and Regulatory Compliance (repeat challenge)

Grant and Interagency Agreement Compliance Monitoring (repeat challenge)

Although challenges exist, I would like to acknowledge some noteworthy accomplishments since my last letter. This includes the successful outcome of the Council's fifth evaluation of its information security program and practices under the *Federal Information Security Modernization Act of 2014* (FISMA).^{1, 2}

¹ Public Law 113-283 (December 18, 2014).

² OIG, *The Gulf Coast Ecosystem Restoration Council Federal Information Security Modernization Act of 2014 Evaluation Report for Fiscal Year 2022*, (OIG-CA-22-018; August 15, 2022).

The Council's information systems security program and practices were assessed as effective for the period July 1, 2021, through March 31, 2022. Also, for the eighth year in a row, the Council received unmodified opinions (also referred to as "clean opinions") on its financial statements.³

We also commend the Council for its continued efforts to improve the overall functionality in the multi-system solution that replaced the Council's original grant management system, the Restoration Assistance and Award Management System (RAAMS). In April 2020, the Council transitioned award data to GrantSolutions, a grant and program management Federal shared service provider under the U.S. Department of Health and Human Services (HHS). In March 2020, scientific programmatic data was migrated to the Program Information Platform for Ecosystem Restoration (PIPER) developed through a Memorandum of Understanding with the U.S. Geological Survey. Depending upon the type of data, it was migrated into GrantSolutions, PIPER, or saved to the Council's Google drive according to the Council's records management system.

As reported last year, we find that changing technology poses risks to the Council's ongoing achievements in the areas of Federal statutory and regulatory compliance and grant and interagency agreement compliance monitoring, which we continue to report as ongoing challenges in fiscal year 2023.

Challenge 1: Federal Statutory and Regulatory Compliance (Repeat)

The Council must ensure that activities and projects funded by the RESTORE Act meet all environmental laws and regulations at the Federal and State level and ensure its compliance with applicable laws and regulations as a Federal entity. In March 2020, the Council implemented major technology changes to carry out its grant administration and monitoring activities. As a small organization, the Council faces ongoing challenges posed by GrantSolutions, as experienced by many other small customer agencies, such as limitations with customization, timeliness, and costliness. As reported in prior years, GrantSolutions has some functionality limitations as the system is less customizable to fit the Council's needs. Certain key tracking processes continue to be done manually on spreadsheets because automating the processes in GrantSolutions is either not feasible or not cost effective. Although the Council hopes to automate some processes in GrantSolutions, the Council said, the Council will sunset at some point once the funds from the Gulf Coast Restoration Trust Fund are fully expended,⁴ so the timeliness of implementing full functionality of the system during the life of the program is very important to the Council. In the meantime, the Council continues to incrementally implement some features in GrantSolutions and PIPER to help meet reporting and tracking needs. Given these constraints, the risk of errors as well as incomplete and inaccurate information may increase using multiple mechanisms to track and report as the number of grant awards increase. Even with the data migration completed, the multisystem solution continues to impact the workload of staff who balance post- deployment duties.

As reported in prior years, the Council continues to experience challenges trying to integrate GrantSolutions with the Bureau of the Fiscal Service Administrative Resource Center's (ARC) Oracle database, which processes and reports the Council's financial data. As noted above, it was determined that GrantSolutions would not be fully-customized due to cost considerations. As such, the Council elected to continue to rely on its manual review and reconciliation process, which poses a higher risk of errors or omissions than an automated process. Full functionality of GrantSolutions and PIPER is critical to the Council's continued compliance with FISMA, the *Digital Accountability and Transparency Act of 2014* (DATA Act)⁵ and future improper payment reporting required by the *Payment Integrity Information Act of 2019* (PIIA).⁶

³ OIG, *Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Years 2021 and 2020*, (OIG-22-011; November 15, 2021).

⁴ A \$20.8 billion civil settlement between the Department of Justice and BP Exploration & Production Inc. was approved on April 4, 2016. Of this amount, \$4.4 billion will be deposited into the Trust Fund over 15 years. As of April 15, 2022, \$2.69 billion has been deposited into the Trust Fund. It is estimated that the final payment will be deposited into the Trust Fund in 2031.

Looking ahead, agencies that administer grants and interagency agreements (IAA) will have to implement changes to adopt a standardized data structure for information requests and reporting on award recipients under the *Grant Reporting Efficiency and Agreements Transparency Act of 2019* (GREAT Act).⁷ As discussed below, this will increase the responsibilities and workloads of the Council staff.

DATA Act

One of the purposes of the DATA Act is to increase accountability and transparency of federal spending. To this end, agencies must report spending data for publication on USAspending.gov on a recurring schedule. In our third and final mandated DATA Act audit, we found while the Council's fiscal year 2020 fourth quarter data was of excellent quality overall, there were errors in certain data elements.⁸ Specifically, we found one error in the Council's File C⁹ where a grant that was awarded in fiscal year 2020 third quarter was incorrectly reported in fiscal year 2020 fourth quarter File C. This resulted from ARC personnel not entering a grant award timely into the Oracle Federal Financials (Oracle) accounting system in fiscal year 2020 third quarter. In addition, we found errors in certain procurement data elements made by ARC. We made a total of four recommendations, which Council management agreed to correct in its written response to our audit report.

Now that we have completed our third and last series of mandated reviews required by the DATA Act, it will be even more critical for the Council to implement the full functionality of GrantSolutions and PIPER in order to achieve the DATA Act's goal of reporting quality data.

PIIA

PIIA requires an agency to conduct program-specific risk assessments for each program or activity identified by the agency, provide the methodology for identifying and measuring improper payments, and report on actions the agency plans to take to prevent future improper payments. As a result of PIIA, OMB updated OMB Circular No. A-123, Appendix C, *Requirements for Payment Integrity Improvement* and issued revised guidance in M-21- 19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, (March 5, 2021).

The goal of OMB's revisions is to transform the payment integrity compliance framework and create a more comprehensive and meaningful set of requirements to allow agencies to spend less time complying with low-value activities and more time researching underlying causes of improper payments, balancing payment integrity risks and controls, and building the capacity to help prevent future improper payments. OMB Circular A-136, *Financial Reporting Requirements* (August 10, 2021) includes the financial reporting requirements that agencies must follow in reporting its PIIA information in the agency's annual financial statement. Among the requirements are the collection of payment integrity information by OMB through the annual data call and actions taken by the agency to address recovery audit recommendations to prevent overpayments.

My office conducted an audit of the Council's compliance with payment integrity reporting requirements for fiscal year 2021 and found that the Council did not comply with two of the ten PIIA requirements for fiscal year 2021.¹⁰ Specifically, the Council did not publish its payment integrity information with the annual financial statement in accordance with OMB Circular A-136 and did not adequately conclude whether its programs are likely to make improper payments and unknown payments above or below the statutory threshold.

⁵ Public Law 113-101 (May 9, 2014).

⁶ Public Law 116-117, (March 2, 2020).

⁷ Public Law 116-103; (December 30, 2019).

⁸ OIG, DATA Act: Council Met DATA Act Reporting Requirements but Improvements Are Needed , (OIG-22-007; November 3, 2021)

⁹ File C includes obligations at the award (procurement and financial assistance) and object class level.

¹⁰ OIG, *Audit of the Gulf Coast Ecosystem Restoration Council's Compliance with PIIA for Fiscal Year 2021*,

The Council did not comply with these two requirements because the Council did not review OMB M-21-19, which identified the new requirements. As a result, the Council did not provide the public with comprehensive improper payment data and information on PaymentAccuracy.gov and did not sufficiently address the Improper Payment (IP) Risk Assessment requirements.¹¹

GREAT Act

Initial work under the GREAT Act requires OMB and HHS to establish new Federal data standards, guidance on the use of such standards, and the architecture for a new Federal grants platform for the collection, public display, and maintenance of Federal award information as a Government-wide data set on a single public portal. Federal agency administrators must prepare their agencies for consolidated Federal data collection and shared reporting to reduce the burden and cost to grant recipients. The Council will need to implement any necessary changes to documents and processes to announce, award, and oversee Federal grants and IAAs for compliance with new GREAT Act data standards starting in December 2023. Accurate and GREAT Act-compliant records will be contingent upon the full functionality of GrantSolutions and PIPER where such data resides.

While the Council generally met its Federal statutory and regulatory compliance requirements overall in fiscal year 2022, there is inherent risk of incomplete and inaccurate grant records transitioned to GrantSolutions and PIPER. The Council must continue to scrutinize the migrated data and supporting information to ensure that the accuracy, completeness, and overall quality of award and scientific programmatic data have been maintained. This is critical with the growing demand for Federal agencies and entities to make their data as accurate and transparent as possible. As a small agency, it may be difficult for the Council to meet the growing list of data management requirements.

Challenge 2: Grant and Interagency Agreement Compliance Monitoring (Repeat)

Now that GrantSolutions and PIPER have been in place for over two years and award data and supporting information has been migrated from RAAMS, the Council will need to continue to ensure that the data is complete and accurate as part of its Council's ongoing grant and IAA monitoring and oversight. The Council's post-award monitoring of grants and IAAs includes: reviewing recipients' performance and financial reports; conducting a risk assessment based on the recipients' Organizational Self-Assessments; performing desk reviews; and conducting on-site visits. In fiscal year 2022, Council staff planned and completed 5 financial desk and payment transaction reviews, 1 financial on-site visit, and 8 Enterprise Risk Management/Grants on-site/virtual site visits related to programmatic/performance reviews. Four (4) additional financial desk reviews were started in fiscal year 2022 and will be completed in fiscal year 2023. Overall, the reviews included awards made to 6 of 7 State recipients and 2 of 6 Federal agencies. Since the prior year's letter, awards have increased from 127 to 151 grants. As of July 31, 2022, grants and IAAs are valued at approximately \$628 million under the Council-Selected Restoration Component (\$243 million) and the Spill Impact Component (\$385 million) combined.

Furthermore, approved State Expenditure Plans under the Spill Impact Component include projects exceeding \$1.25 billion. As the number of awards and their complexity increases moving forward, additional monitoring will be required which will further add to the Council's workload with the same number of staff. As the program matures, post-award monitoring will require a significant commitment of time and attention due to the increasing amount of outstanding funds, payment requests, and progress of projects.

¹¹ Per OMB M-21-19, the statutory threshold is the total amount of improper payment and unknown payment estimate that is either above \$10,000,000 and 1.5 percent of the program's total outlays or above \$100,000,000 regardless of the associated percentage of the program's total annual outlays that the estimated improper payment and unknown payment amount represents. Each program

with annual outlays over \$10,000,000 must conduct an IP risk assessment at least once every three years to determine whether the program is likely to have IPs above the statutory threshold.

In response to our previous letters, Council officials acknowledged that adequate oversight of grants has been a challenge and will be challenging on an ongoing basis. In fact, as part of its Enterprise Risk Management profile, the Council continues to identify oversight and monitoring of grant recipients among its top critical risks. While the Council has hired additional staff over the years to help with oversight and monitoring of the increasing volume of grant recipients and IAAs, the Council continues to face challenges as the number of employees is limited due to budgetary constraints. In its efforts to improve compliance monitoring with limited number of employees, the Council has implemented an ongoing improvement process to focus on better efficiencies and effectiveness in their processes.

More specifically, Council staff developed and implemented the Grants Monitoring Risk Analysis and Screening Tool in fiscal year 2020 to evaluate the potential need for additional oversight for each Council award. This tool articulates risk factors that could affect the Council's awards and provides an overall weighted risk score for each award that facilitates targeted selection of awards for advanced monitoring. Grant and IAA monitoring and oversight continues to be an area of inherent risk.

Although the challenges highlighted in this letter are the most significant from my office's perspective, we communicate with the Council's staff on existing and emerging issues. As needed, we also engage with affected Federal, State, and local government entities to ensure effective oversight of programs established by the RESTORE Act. Federal statutory and regulatory compliance and monitoring of grants and IAAs will be a central focus of future work. Since the transition to the new grants and programmatic systems is central to meeting these challenges, we plan to audit the Council's implementation activities as part of our audit of the Council's administration of the post-award phase for the Council-Selected Restoration Component awards as listed in our Annual Plan for Fiscal Year 2023.

We are available to discuss our views on the management and performance challenges and other matters expressed in this letter in more detail.

Sincerely,

Richard K. Delmar

Digitally signed by Richard K. Delmar Date: 2022.10.12
13:36:21 -0400

Richard K. Delmar Deputy Inspector General
Department of the Treasury

cc: Mary Walker, Executive Director



Gulf Coast Ecosystem Restoration Council

October 24, 2022

Richard K. Delmar
Deputy Inspector General
Department of the Treasury
1500 Pennsylvania Avenue NW
Room 4436
Washington, DC 20220

Re: Response to the OIG Report 2023 Management and Performance Challenges (OIG-CA-23-001)

Thank you for the opportunity to review the Office of Inspector General's (OIG) 2023 Management and Performance Challenges (OIG-CA-23-001). We appreciate your recognition that the Gulf Coast Ecosystem Restoration Council (Council) is a small agency with many responsibilities under the *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (RESTORE Act). We appreciate your recognition of the Council's accomplishments, including the successful outcome of the Council's evaluation of its information security program and practices under the *Federal Information Security Modernization Act of 2014* (FISMA). The Council's information systems security program and practices were assessed as effective for the period July 1, 2021 through March 31, 2022. Additionally, for the seventh year in a row, the Council received unmodified opinions (also referred to as "clean opinions") on its financial statements.

We agree with your assessment of challenges facing the Council in Fiscal Year 2023, and we provide the following comments with respect to our current status in addressing these challenges.

Challenge 1: Federal Statutory and Regulatory Compliance (Repeat)

The Council shares your assessment that compliance with all applicable federal laws and regulations is a core responsibility and key priority. As you note in your letter, agencies that administer federal financial assistance must comply with numerous laws and regulations, including the adoption of standardized data structures under the *Grants Reporting Efficiency and Agreement Transparency Act of 2019* (GREAT Act), which continue to be refined over time. To address these anticipated changes, the Council intentionally selected a shared federal service provider, the Health and Human Services (HHS) GrantSolutions system, to manage grant and interagency agreement (IAA) award data. In addition, the Council's Program Information Platform for Ecosystem Restoration (PIPER) system was developed under a Memorandum of Understanding with the U.S. Geological Survey (USGS). Its purpose is to collect, store and manage scientific and programmatic data that GrantSolutions is not capable of tracking. PIPER can be customized as required to address standardized data structures and requirements as we continue to develop and refine these processes. On March 16, 2020, the Council deployed this unified solution after ensuring a complete migration of key award data to each system. As ensuring the integrity of award data continues to be a high priority, internal controls, testing, and regular reconciliations between systems are in place.

We appreciate your acknowledgement of the Council's continued efforts to improve the overall functionality in our grants management systems and that, as a small organization, the Council faces ongoing challenges posed by GrantSolutions. The Council acknowledges that there are still some gaps in functionality as well as some level of risk associated with this two-system solution. However, the Council has made progress toward addressing these challenges, including the implementation of a new milestones module in PIPER in October 2021. Additional releases are planned for improving processing of modifications to existing programmatic information, particularly with regard to program awards, and for retrieval and tracking of data and information in PIPER through various reports. The Council continues to work with HHS and USGS to assess and determine which system or method will provide the most cost-effective solution for meeting additional requirements currently not met by the systems. Discussions and specification development with HHS for improved report dashboards and other customizations to GrantSolutions are ongoing.

The Council has implemented the recommendations of the auditors from the FY21 *Payment Integrity Information Act* of 2019 (PIIA) audit. We have established the Council's dedicated site with OMB for [PaymentAccuracy.gov](https://www.paymentaccuracy.gov) and have been included in the FY2022 Annual Payment Integrity Data Call. The Council has also included the required risk assessment factors and unknown payments in the improper payment qualitative risk assessment methodology for FY2022 and future years.

Challenge 2: Grant and Interagency Agreement Compliance Monitoring (Repeat)

Grant and interagency agreement compliance monitoring will remain an ongoing focus of Council staff for the duration of the Council. The Council agrees with your assessment that compliance monitoring is a critical function, and we will continue to invest in this area.

Again, thank you for providing us the opportunity to review this report. In Fiscal Year 2023, the Council will use this evaluation to continue to improve its processes. We appreciate the ongoing cooperation and support that we receive from your staff, and we look forward to working with you in the year ahead.

Sincerely,

/S/Original Signed

Mary S. Walker

Executive Director

Gulf Coast Ecosystem Restoration Council

PAYMENT INTEGRITY INFORMATION ACT

The U.S. Department of the Treasury (Treasury), in coordination with the U.S. Department of Justice and the Office of Management and Budget, established the PaymentAccuracy.gov website, located at <https://paymentaccuracy.gov>, to create a centralized location to publish information about U.S. government improper payments made to individuals, organizations, and contractors. This website also provides a centralized place where suspected incidents of fraud, waste, and abuse can be reported, and contains information about (1) current and historical rates and amounts of improper payments; (2) why improper payments occur; and (3) what agencies are doing to reduce and recapture improper payments.

Additionally, PaymentAccuracy.gov contains the Council's data for overpayments identified in FY 2022 and overpayments verified as recaptured in FY 2022, through all sources. The website also contains information about the results of improper payment statistical sampling and estimation performed in FY 2022, and other Council payment integrity and fraud-related information, including payment integrity information that was included in the Council's previous Agency Financial Reports (AFR) and that is no longer required to be included in this fiscal year's AFR payment integrity reporting for the Council.

BIENNIAL REVIEW OF USER FEES

The Council does not charge any user fees for services and things of value.

GRANTS PROGRAM

The Council does not have any expired, but not closed Federal grants or cooperative agreements (awards), for which the period of performance elapsed before September 30, 2020.

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